

Austria	Sch.22	Indonesia	Rp 3100
Belarus	DR.122	Israel	NIS 3.50
Belgium	BF.48	Italy	L 3600
Canada	C\$1.48	Japan	Yen 100
Cyprus	Dr.1.00	Spain	Pts 125
Denmark	DK.0.00	Sri Lanka	Rp 30
Egypt	EG.225	Taiwan	NT \$20
Fiji	FJ.6.50	Thailand	Baht 50
France	Fr.1.65	Tunisia	Dir.0.00
Greece	Dr.100	Malaysia	Rm 4.25
Hong Kong	HKS.12	Morocco	Dir.6.00
India	Rs.15	Norway	Nkr.7.00
		U.S.A.	\$2.00

FINANCIAL TIMES

EUROPE'S BUSINESS NEWSPAPER

No. 30,281

Friday July 10 1987

D 8523 A

Australian poll: sales pitch moves to the right, Page 14

World News

Marcos 'planned to seize Aquino'

The Philippine Government produced tape recordings indicating that former President Ferdinand Marcos planned to buy about \$22m of weapons to stage a coup and kidnap Mrs Corazon Aquino, his successor. Mrs Aquino thanked the US Government for barring Mr Marcos from leaving Hawaii. Page 16

Fanfani steps down

Italian caretaker Premier Amintore Fanfani handed in his resignation, clearing the way for President Francesco Cossiga to begin talks on forming a government. Page 2

Amnesty for Kim

South Korea's Government announced an amnesty for 2,335 people, including opposition leader Kim Dae Jung who has been banned from politics. Peaceful funeral. Page 4

Australian poll

Australian Prime Minister Bob Hawke goes into tomorrow's federal election with opinion polls predicting a third term for his Labor Party. Page 3

Delhi protest

Police fired tear gas and arrested more than 200 people in New Delhi where crowds stoned and tried to burn Sikh homes, temples and shops during a protest strike against the massacre of 70 Hindu bus passengers. Page 3

Sudan expulsions

Sudan ordered 20 foreign relief organisations that channel food to the hungry to quit the country by the end of August - because they had failed to follow registration procedures. Page 3

Swedish price thaw

The Swedish Government said it was further easing a general price freeze imposed in January by taking restrictions off the cost of cars, transport, municipalities and most food. Page 3

Kurdish massacre

Kurdish insurgents massacred 28 people, 11 of them children, in two villages in south-east Turkey, hours after Prime Minister Turgut Ozal urged the rebels to give up their struggle for autonomy. Page 3

Machel crash Inquiry

A South African-led inquiry into the air crash last October, which killed President Samora Machel of Mozambique, found that the aircraft's Soviet crew committed a series of errors and was to blame for the disaster. Page 3

Soviet exodus

About 10,000 Jews had requested exit visas from the Soviet Union so far this year and 40 per cent of them had received permission to emigrate, a Moscow official said. Page 3

Fewer Contras

The number of US-backed Contra rebels fighting Nicaragua's left-wing Sandinista Government had fallen from 28,000 to 6,000, Nicaraguan Vice-President Sergio Ramirez was quoted as saying. Page 3

Tin Council attacked

A British court said the International Tin Council had behaved more like a disreputable debtor than a responsible organisation towards creditors owed \$1.4bn. Page 18

Technology boost

Prime Minister Jacques Chirac, who claimed that France might be falling behind in technology, announced a 7.7 per cent boost for research and development spending next year. Page 18

Japanese live longer

The average Japanese man can expect to live 75.23 years and the average woman 80.83 years, making Japan the world's highest life expectancy - the Health and Welfare Ministry said. Page 24

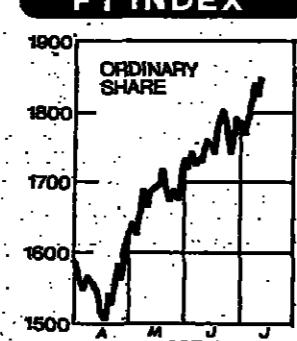
Business Summary

Benetton moves into financial services

BENETTON, Italian casual clothing group, has unveiled plans to diversify into financial services and merchant banking. The company has recruited Sir Michael Fazio, a former Merrill Lynch investment banking officer, to become managing director of its holding, its new financial services company. Page 17

London equities hit fresh peaks on the Hill Samuel news. The FT-SE added 14.1 to

FT INDEX



2,371.0 and the FT Ordinary index jumped 1.8 to 1,848.1, both new highs. Gilt yields quiet. Page 24

WALL STREET: The Dow Jones industrial average closed down 12.76 at 2,451.21. Page 38

TOKYO: The Nikkei average rebounded 223.48 to 23,753.30 on the easing of controls on margin trading and the overnight record on Wall Street. Page 38

GOLD fell in London to \$445.00 from \$446.50. It also fell to \$444.00 from \$446.55. Page 26

DOLLAR closed in New York at DM 1.3420, FF 12.120, SF 1.3535 and Yen 150.20. In London, it fell to DM 1.3830 (DM 1.6415); FF 1.275 (FF 1.3520); Yen 149.90 (Yen 150.80), but rose to SF 1.3530 (SF 1.3635). On Bank of England figures the dollar's index was unchanged at 103.0. Page 27

STERLING was unchanged in London at \$1.6130 and SF 2.4285. It fell to DM 2.9750 (DM 2.9800); FF 1.9150 (FF 1.9275) and Yen 242.50 (Yen 243.50). The pound's exchange rate index was unchanged at 73.0. Page 27

CASIO COMPUTER, leading Japanese digital watchmaker, suffered a 35 per cent plunge in consolidated net profit to \$10.6m from \$16.7m last year. Page 20

JP MORGAN, parent of Morgan Guaranty Trust, has produced its first quarterly loss since going public in 1986 with a deficit of \$386.4m in the three months to June, against net income of \$237m or \$1.29 a share last year. Page 17

STANFEL, Italian casual clothes producer, plans to raise £140bn (\$105m) with a debut share issue on the Milan bourse scheduled for September. Page 17

LA FONDIARIA, the Florence-based timber firm which is controlled by Moncler, saw a 50 per cent jump in consolidated net profit for 1986, to £330m (\$71.5m). Page 17

DUTCH PUBLISHER Wolters Samsom has unveiled its friendly takeover bid for Kluwer, the third largest publishing company in the Netherlands, a report published today concludes.

The report by the Group of Thirty, which combines senior figures in international business and finance from the private and public sectors, says:

"AUSTRIA plans to raise Sch 100 (\$620m) by privatising the country's electricity industry. Page 17

TELESPrint, the GTE-United Telecommunications joint venture, announced a senior management shake-up amid signs of trouble in its customer billing procedure. Page 18

INTERNATIONAL Tin Council has accused, of behaving more like a "disreputable debtor" than a responsible organisation and was asked to disclose to a creditor full details of its UK assets. Page 24

CONTENTS

Swiss bank makes takeover approach to Hill Samuel

BY DAVID LASCELLES AND CLIVE WOLMAN IN LONDON

THE UNION BANK of Switzerland has made a takeover approach to the Hill Samuel Group, one of the City of London's leading merchant banking and financial services groups.

The deal, potentially worth more than \$200m, would create one of the largest financial groups in London, including the largest stockbroking firm. Hill Samuel, favoured seeking a merger partner as a way of boosting the bank's capital and broadening its activities were

a merchant bank. This was a major factor behind UBS's decision to make an approach.

At the time of the approach, Hill Samuel had been considering a change in its strategy. One group of directors, led by Mr John Chiene, the former senior partner of Wood Mackenzie, the stockbroking firm acquired by Hill Samuel, favoured seeking a merger partner as a way of boosting the bank's capital and broadening its activities were

the main concern. The leading ones now are FAL, the Australian insurance company, with 14 per cent, and Consolidated Press with 12 per cent. Altogether Australian interests own 27 per cent.

There was no immediate reaction from them yesterday. But since their interest is viewed as speculative rather than strategic, they are not expected to put up major resistance to UBS's approach.

UBS already has a substantial presence in London. It includes a large international capital markets operation, as well as Phillips & Drew, the UK stockbroking firm which it bought last year in preparation for the Big Bang deregulation of the stock exchange. In recent years, Phillips & Drew have been rapidly expanding its operations, both in securities and investment management, but its management was anxious to acquire

be affected by the restrictions.

With the Government required to exchange foreign-currency earnings into Taiwan dollars, the increase in reserves has threatened to ignite inflation because of the growth in money supply.

The cabinet acted after earlier parliamentary approval of the measure, which at the same time denied the executive the right to reimpose controls without the consent of parliament.

Under the new rules to take effect July 15, individual companies will be allowed to remit abroad up to \$65m a year, or its equivalent in other currencies.

There will be no restrictions on the use to which the money is put.

The Central Bank first proposed a sweeping revision of the foreign-exchange regulations in January, but was postponed for a time because of opposition from conservatives within the cabinet who felt that lifting the controls would cause massive capital flight.

The move, which comes just two days after parliament voted to lift more than 38 years of martial law, should make life much easier for businessmen, who have often complained of bureaucracy and delays in foreign-currency dealings.

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Under the new rules to

EUROPEAN NEWS

FANFANI HANDS RESIGNATION TO PRESIDENT

De Mita likely to be next Italian PM

BY ALAN FRIEDMAN IN MILAN

ITALY'S caretaker Prime Minister, Mr Amintore Fanfani, handed in his resignation yesterday in a ritual act which clears the way for President Francesco Cossiga to begin a weekend of consultations with party leaders on the formation of a new government.

President Cossiga's consultations, which begin today, are expected to nominate Mr De Mita with his naming of a new Prime Minister-designate. This, in turn, will open up a new round of wrangling between the two party leaders who dominate the Rome political scene — former Socialist Prime Minister Mr Bettino Craxi and the Christian Democrat leader, Mr Ciriaco De Mita.

It was 18 weeks ago that Mr Craxi stepped down as Prime Minister after a lengthy and bitter struggle in the five-party coalition Government which had lasted a record three and a half years. It has been 25 days,

meanwhile, since the general election which gave a relative boost to the Socialists and saw the Christian Democrats gain only modestly.

In Rome political circles the name most frequently being mentioned as the likely Prime Ministers-designate is that of 68-year-old Mr De Mita. He has led the Christian Democrats since 1982 but has never held a cabinet post in his life.

For the past week all of Italy has been forced to live out Mr De Mita's private agonising over whether he wants the job. It appears that Mr De Mita does not especially wish to leave the helm of his party to immerse himself in the business of government, but he also realises that his time may have come.

Mr Craxi's Socialist Party, which had its hand strengthened considerably in the election by increasing its share of the national vote from 11.4 to 14.3 per cent, has already

agreed in principle to the idea of a Christian Democrat leading the next Government. But Mr Craxi is said to be unwilling to accept a cabinet post in a government led by Mr De Mita, whom he dislikes violently. It could, therefore, prove easier for the Christian Democrats to secure the premiership if they put up a candidate other than Mr De Mita.

The next two or three weeks

are thus likely to be characterised by typically Machiavellian jockeying for advantage by the Socialists and Christian Democrats. Mr De Mita, for his part, has made it clear that he wants a "strong and stable" government, rather than the kind of "government of programme" which Mr Craxi has in mind. It is thought that some kind of government will be formed before the August holidays.

Although anything can happen

in Italian politics it is widely believed that Mr Craxi might be content to see a Christian Democrat installed at the Palazzo Chigi on the assumption that he could then take pot-shots from outside the government and position himself for an eventual return as premier.

With Mr Craxi apparently unwilling to consider an alternative coalition with the much weakened Communist party, the Socialists and Christian Democrats are more or less condemned to cohabitation.

But the political negotiations on the formation of a new government will undoubtedly run up against bargaining over matters such as Mr Craxi's desire for a programme of institutional and electoral reform, the allocation of cabinet posts and the most difficult issue of whether to go ahead with referendums on nuclear power and judicial reform. On this last point a clear majority of the



Mr Fanfani leaves the President's office after resigning

Chamber of Deputies (including both the Socialists and Communists) has signed a proposal to hold the referendums, which the Christian Democrats oppose.

It is thought that the eventual collapse of a new Christian Democratic government could well come over the referendum issue.

Top French institute takes pessimistic line on economy

BY GEORGE GRAHAM IN PARIS

INSEE, France's national statistical institute, has again confirmed its reputation for taking a different and more pessimistic line than the government on the French economy.

Its latest forecast is gloomy, economic growth falling to 1.3 per cent this year from 2.2 per cent in 1986, inflation rising to 4.5 per cent from 3.8 per cent and a current account that drops to bare equilibrium after a surplus of FF 25bn (US\$2.5bn) last year.

Stocks continue to increase, and the deterioration in France's trading balance for manufactured goods, although slowing down, implies that further efforts will have to be made to improve the competitiveness of the country's exporters.

INSEE concludes that 1987 looks like a year of adjustment for the French economy, set to a period of growth in 1986, but the adjustment is not over.

"The difficulty which remains is to avoid letting this adjustment weigh too heavily on growth," INSEE says in the report.

Yet the picture painted by INSEE is not altogether grim. Mr Edouard Balladur, the Finance Minister, took care to undermine the broadly unfavourable impression of the INSEE report before its publication by drawing attention to the brighter points.

Inflation, for example, is set to rise to an annual rate of 3.5 per cent by the end of the year, according to the INSEE forecast, whereas the projection enshrined in the govern-

ment's budget framework is of only 2 per cent.

Without energy — and oil prices have mounted significantly since last year — INSEE expects consumer prices to rise by 3.8 per cent over the year, 0.2 percentage points below the 1986 rate.

The second half of the year will show a deceleration of inflation, INSEE says, particularly in the area of private sector services, where prices rose sharply after the ending of

INSEE GROWTH FORECASTS

	1986	1987
GDP	2.2	1.3
Houseshold consumption	3.5	1.6
Unemployment rate (year-end)	10.7	11.2
Total employment	9.0	9.5
Consumer prices	3.0	3.5
Current account (FFr bn)	23.4	0.0

government controls at the end of last year.

Prices for services rose by 5.1 per cent in the first half of the year, but INSEE expects a rise of only 1.8 per cent in the second half.

For Mr Balladur, the INSEE analysis confirms the pursuit of the process of disinflation. The Finance Minister believes that the control of inflation has been handicapped by one international factor, energy prices, and one domestic factor, the ending of price controls, but that France will nevertheless have succeeded by the end of the year in reducing the gap between its inflation rate and that of West Germany to 2 percentage points.

Greek doctors angry over prescription measure

BY ANDRIANA IERODIAKONOU IN ATHENS

GREECE'S PRIVATE doctors and the Minister of Finance have clashed over recent measures to curb tax evasion among the medical profession.

The conflict arose when the Minister, who is committed to raising an extra Dr 55bn (US\$60m) from income tax under this year's budget, announced that medical prescriptions must be validated by the tax authorities, or liable to a fine of Dr 80,000 per prescription.

To back the move, Mr Dimitris Tsovolas, the Finance Minister, disclosed this week that more than 80 per cent of the country's private doctors

and dentists had declared an annual income of less than Dr 4m (approximately \$4,500) in 1986, a figure considered unrealistically low.

At the same time, the Minister said a surprise June inspection of 14,720 prescriptions found that only 803 had been validated by the tax authorities as required.

Mr Tsovolas' disclosure drew an angry response from the Panhellenic Medical and Dental Associations, which accused him of muddling and called for his resignation. Doctors also said they will fight the measures with extended strikes.

Death toll rises in attacks by Kurdish guerrillas

BY DAVID BARCHARD IN ANKARA

THE DEATH TOLL from the latest armed attack by Kurdish insurgents in southeastern Turkey rose to 28 yesterday.

The Prime Minister, Mr Turgut Ozal, and the Interior Minister, Mr Yildirim Akbulut, yesterday visited the scene of the attack — village in Mardin province, not far from Diyarbakir, the scene of a massacre on June 13 in which 30 people died.

The strong Bank of Anatolia News Agency said bands of up to 25 terrorists had attacked two villages, Peceken and Yuvali, in Mardin province not far from the Syrian frontier.

Mr Ozal said: "only my government and my party — the Social Democrats — can make Portugal grow" style of promoting his bid for an overall majority.

Injured when a minibus taking mourners to Yuvali drove over a mine planted by the same separatist group. This was the first known occasion on which Kurdish groups have used landmines.

Turkey has been fighting a guerrilla war against Kurdish rebels, thought to be followers of the PKK (Workers' Party of Kurdistan) for the past three years. Early this year, the PKK switched from attacks on police stations and gendarmerie outposts to assaults on local people and communities loyal to the central government.

Opposition leaders in Ankara yesterday condemned the latest attack and called on the government to take more effective measures. The main opposition leader, Professor Erdal Inonu, urged that Parliament be recalled for a special session to debate the killings.

Anatolia reported later that one person was killed and 15

Sweden to ease price freeze

By Kevin Done, Nordic Correspondent in Stockholm

THE SWEDISH Government is to make substantial further relaxations in its six-month-long price freeze.

The first steps towards winding down the price freeze were announced last month, but several more sectors are now to be removed from the freeze with effect from Monday.

The state's Prices and Cartel Agency has reached agreement with several business sectors which have given pledges to limit price increases for the rest of the year.

Goods and services that will now be excluded from the price freeze include the motor trade, local authority services, most food items, postal charges, newspapers and building services.

Mr Bengt Johansson, the deputy Finance Minister, said the price freeze which has been in force since early January had been successful in dampening inflationary expectations.

The Government is maintaining its earlier forecast of an increase of 4 per cent in consumer prices in the 12 months to December 1987, although many Swedish economists consider that inflation could be running at around 5 per cent by the end of the year compared with a 12-month increase of 3.2 per cent in 1986.

In May the year-on-year inflation rate was running at 3.5 per cent.

Sweden's ruling Social Democratic Party indicated yesterday that it was to look for new measures to reduce the concentration of economic power in the country.

Moscow says Pershing 1A issue deadlocked

TALKS BETWEEN Moscow and Bonn about 72 West German Pershing 1A missiles armed with US nuclear warheads

agreement to remove nuclear weapons from Europe, he said.

"On the whole, the West German position created a kind of deadlock," Mr Pyadyshev told reporters. "We have the impression that the West German side wants to create a kind of vicious circle on this question."

He accused Bonn and Weizsaecker of West Germany, had asked that Bonn define its position on the issue to help Moscow and Washington reach

a nuclear status.

Bonn wants to keep the Pershing 1As on West German soil as protection in the event of an accord eliminating medium- and shorter-range missiles from Europe. Moscow says that because the Pershings carry US warheads they must be included in any such arms deal.

It cites Bonn's wish to retain them as an obstacle.

"If West Germany really wants progress at the (Soviet-US) talks in Geneva, it should define a clear position on this

question and we expect that it will be done," Mr Pyadyshev said.

The Soviet Union viewed President von Weizsaecker's visit in a favourable light, he said, and the foreign ministers of the two countries would meet at the next session of the United Nations to discuss "preparations for a higher-level visit."

Government officials in Bonn said that Mr Mikhail Gorbachev would visit West Germany in the next 12 months.

Bavarian AIDS proposals worry Brussels

BY LESLIE COLITT IN BERLIN

THE EUROPEAN Commission said yesterday it was concerned by proposals in West Germany to deport foreign AIDS sufferers or to prevent them from entering the country.

The Commission will not shirk from its responsibilities under the Community treaties; it would act with the greatest diligence if "Community standards were to be violated," it said.

"An AIDS victim is just like you and me. He goes once a

week to hospital and there is no need to confine him to a hospital ward. Why coop him up when he has the possibility of free movement?" a community official said.

He said a 1984 EC directive stated that member states were justified in turning foreigners away for medical reasons in the case of tuberculosis, syphilis, illness requiring quarantine, or "other contagious infections or parasitic diseases" covered by it.

EC health ministers who met in Brussels last May pledged to respect the free movement of Community citizens and to avoid contradictory national policies that could lead to discrimination against AIDS sufferers.

the law of the host country.

But he said it had not been determined that AIDS, which is most commonly transmitted sexually, fell into the category of infectious or parasitic diseases.

EC health ministers who met in Brussels last May pledged to respect the free movement of Community citizens and to avoid contradictory national policies that could lead to discrimination against AIDS sufferers.

Romania fights loss of favoured trade status

BY LESLIE COLITT IN BERLIN

ROMANIA IS actively opposing a decision by the US Senate last month to suspend for six months its most favoured nation (MFN) trade status because of alleged human rights violations.

Any such measure would threaten the free movement of European Community citizens which is stipulated in Community law, the Commission said.

It noted reports that the royal government of Bavaria

recently had talks on the Senate action with Mr Seymour Reich, president of BNai B'Rith, the American Jewish charitable organisation which recently supported Romania because it allowed most of its Jews emigrate to Israel and was the only Communist country which did not sever diplomatic relations with Tel Aviv after the 1967 Six Day War.

But now US Jewish groups are split over whether to withdraw from the Senate action with Mr Seymour Reich.

The US Department of Agriculture (USDA) said yesterday that Soviet grain imports were expected to rise to 36m tonnes in the year beginning July 1, 1987, from 30.5m in the previous 12 months due to expected poor yields.

The Soviet Union produced 21.1m tonnes of grain in 1986, the highest yield since 1976, and has set a target of 22m for 1987. But the USDA has predicted a lower yield this year than in 1986 due to a late start to Soviet spring sowing.

Selskaya Zhizn said grain imports from the US had dropped in 1986 to 4m tonnes, at a cost of 300m roubles from 15.3m tonnes worth 1.8bn roubles in 1985.

But meat imports rose nine per cent while purchases of products grown in tropical zones were also higher and the country remained unable to produce enough livestock fodder.

The paper said Moscow paid 2bn roubles for imported grain in 1986, compared with 4.8bn roubles the previous year. It did not specify the total tonnage of imported grain.

The tourism agreement also gives Austria landing rights at Moscow airport for the Austrian Airways route to Tokyo which begins in next April.

Mr Ryzhkov and his delegation return to Moscow today.

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Five agreements were signed yesterday between the Soviet Union and Austria during the official visit to Vienna by the Soviet Prime Minister, Mr Nikolai Ryzhkov.

The agreements include tourism,

culture, shipping, landing rights and a protocol agreement that Austria will import oil and gas supplies

from the Soviet Union up to the end of the century.

Austria imports between 3bn-4bn cubic metres of Soviet energy a year.

The state-owned energy industry, OMV, last year paid Sch 6.8bn (\$550m) for Soviet gas imports

amounting to 3.9bn cubic metres.

A spokesman from the Austrian Ministry of Economic Affairs said the

agreement did not stipulate any fixed quantities.

Austrian officials were optimistic

about the agreements on culture and tourism. "They reflect the changing mood in Moscow," an economic affairs spokesman said.

Under the terms of the tourism agreement, Austrians travelling to the Soviet Union

OVERSEAS NEWS

South Korean police keep out of sight for peaceful funeral

BY MAGGIE FORD IN SEOUL

POLICE IN two South Korean cities yesterday allowed hundreds of thousands of people to hold a peaceful funeral march in memory of a student killed after he was hit by a tear gas canister fired during a demonstration.

In Seoul more than 100,000 people including Mr Kim Dae Jung and Mr Kim Young Sam, the opposition leaders followed the funeral cortège from the dead student's university campus to the centre of the city.

With riot police out of sight, students waving banners filled the main square, singing the national anthem. The authorities allowed the national flag to be lowered to half mast in the student's memory.

The student's body was then taken by family and friends to his home city of Kwangju, where hundreds were killed in an uprising against President Chun Doo Hwan's regime in 1980.

The day of mourning was marred by some violence when a crowd of around 50,000 decided to march towards the presidential mansion. Police stopped the marchers and eventually dispersed them with tear gas. A few dozen students fought riot police outside the city's Anglican cathedral.

Earlier the Government had announced the amnesty and

restoration of civil rights for 2,335 people, including Mr Kim Dae Jung, who has been banned from politics under a suspended jail sentence for sedition. Mr Kim was charged withomenting the Kwangju uprising, although he was in jail at the time.

Yesterday he said he planned to visit the city, and his hometown 50 miles away, along with other provincial cities to consult people's opinion about his future. Mr Kim said last year, in an effort to persuade President Chun to meet him, he told the defence ministry that he would not stand for President if elections were called. He has since said that large numbers of people have urged him to change his mind.

Many Koreans believe that one contributing factor to the 1979 military coup was the disunity between the two Kims who campaigned against each other. Mr Kim Young Sam has not yet said whether he plans to stand for the presidency.

Mr. Kim Dae Jung called again yesterday for a neutral national interim cabinet to be set up to administer the elections and solve the problem of the Kwangju uprising. Observers are concerned that the military's fear of revenge because of the rebellion is so great that a democratically elected opposition president might not be allowed to take power.

Hawke victory predicted in tomorrow's election

BY CHRIS SHERWELL IN SYDNEY

MR BOB HAWKE, Australia's Prime Minister, goes into tomorrow's federal election with the latest opinion polls predicting victory and an historic third term for his Labor Party over the opposition Liberal and National Parties.

According to the McNair Anderson poll carried out in all 142 constituencies last weekend, Labor has a lead of no less than 12 per cent over the combined opposition, a margin which, if borne out, would increase Labor's 16-seat majority in the House of Representatives to 50.

The more closely watched weekly Morgan Gallup Poll, also conducted last weekend, indicates Labor has a four-point lead (45 to 41), narrowing the gap from the previous two weeks of the campaign. The gap between Mr Hawke and his opponent, Mr John Howard, the Liberal leader, was at its narrowest in months.

A shrinking of Labor's lead was also reported yesterday in a survey by the Sydney Morning Herald, the country's leading

newspaper, while approval of Mr Howard continued to strengthen. Surveys of business leaders were clearly in favour of the Liberals.

The polls are being treated cautiously because of the real margin for error, the significant number of undecided voters and sharply shifting sentiments in the last days of the campaign. Signs have also emerged of a pick-up in support for the Democratic Party, the principal minor party.

Mr Hawke nevertheless had some further encouraging economic news yesterday with the publication of figures showing a fall in unemployment in June to 6.4 per cent, the lowest level for 12 months.

The stock market has meanwhile continued the strong upward trend begun last week. Widely watched all-commodities index, which climbed 85 points last week, soared another 65 points by yesterday to finish at a record level just below the 1,900 mark.

Hindus protest at Sikh attacks

POLICE FIRED tear gas to disperse angry Hindus crowd in New Delhi yesterday in scattered violence during a protest strike against the massacre of 70 Hindu bus passengers by Sikh gunmen. Beaten reports from New Delhi. Police said at least 200 people were arrested and tear gas fired to disperse crowds who had stoned and tried to burn five Sikh homes, two temples and three shops. One temple was partially damaged by fire while a tyre shop was gutted.

In Punjab eight people were killed in separatist violence, bringing the toll in the past two days to 15, according to an unofficial tally.

Police said the victims included a Communist Party official and four members of his family, an activist with a moderate Sikh political party and two village headmen killed by militants campaigning for an independent Sikh state in Punjab.

Afrikaner liberals begin talks with ANC in Dakar

BY VICTOR MALLEY IN DAKAR

THE South African liberals and leaders of the African National Congress meeting in the West African state of Senegal began their talks on South Africa's future yesterday unaided by the scorching heat or the withering scorn from the white establishment at home.

President Abdou Diouf of Senegal, towering above his red-robed, scimitar-wielding presidential guards, opened the conference after watching a frenzied display of traditional dancing by calling for economic sanctions against South Africa and describing the battle against apartheid as the most important issue this century after the defeat of Nazism.

Among those at his side was Mrs Danielle Mitterrand, wife of the French President, and Mr Breyten Breytenbach, the exiled Afrikaner poet.

Mr Frederik van Zyl Slabbert, the liberal politician who helped to arrange the meeting, said the aim was to explore

alternatives to what he called the brutal catastrophe unfolding in South Africa, but he acknowledged that the 50 or so Afrikaner liberals with him were "on the fringes of white politics". "We are not here to promote any kind of artificial détente or negotiation," he said. "We simply haven't got the power to negotiate."

South African state radio this week described the conference as a gathering of "political terrorists" and political "militants", but both the ANC and the Afrikaner liberals see it as a chance to correct white misconceptions about the ANC which has been pressing for black rights in South Africa for more than 75 years and is now banned.

"A lot of these people have never seen independent Africa," said Mr Thabo Mbeki, leader of the ANC delegation. "They are subjected to a lot of propaganda that if blacks take over chaos reigns and nuns get raped."

Richard Gourlay looks at a new solution to a pressing Philippine problem

Negros faces dilemmas of land reform

THE DEBATE over whether large sugar and coconut estates should be included in a sweeping land reform programme, which President Corazon Aquino has said will sign shortly, is nowhere more intense than on the sugar dominated island of Negros.

The Governor, Mr Danay Lacson, has denounced the Government's latest draft proposal, which calls for redistribution of large amounts of sugar and agribusiness lands to a maximum of 7 hectares. The plan to complete a similar programme for rice and corn lands is generally accepted.

They say sugar cane would be torn up and planted to rice or corn. Because of the fall in cane production, as many as eight of the province's 14 mills might have to close. Though the mills are owned by contractors, they have interests in the land and labour force.

It is designed to bail out the planters from some huge debts, allowing them to produce enough sugar for the local mills and domestic sugar imports. But it also calls for the transfer of land to the tenants and landless workers and to co-operatives.

Also they say, with some justification, that land reform cannot be carried out without

landowner co-operation because of an almost cavalier contempt for the law. As the head of one large landowning family in Negros said: "No-one will enforce the judgment of a court two to three kilometres from the towns."

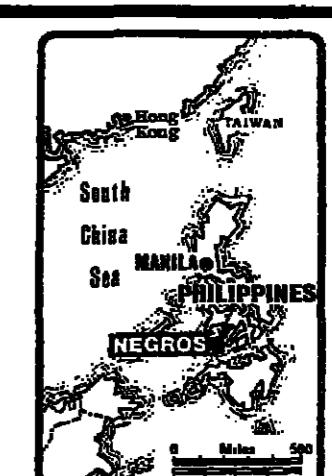
Mr Lacson's alternative has support from many planters and, surprisingly, the far left National Federation of Sugar Workers.

It is designed to bail out the planters from some huge debts, allowing them to produce enough sugar for the local mills and domestic sugar imports. But it also calls for the transfer of land to the tenants and landless workers and to co-operatives.

At present more than half the province's 267,000 hectares of sugar land is forecloseable by

the banks. By joining the scheme a landowner with an average 100 dectares with the bank would pass 10 per cent of his land to the tenant, 30 per cent to the co-operative, which would then diversify and keep 60 per cent for sugar with a restructured and much lower debt.

Mr Lacson counters critics by insisting that his plan buys time before a more comprehensive land reform. Co-operation from the landlords will allow time for the sugar workers to relearn their manual skills after working as sugar workers, and allow them to learn farm management. It will also give time for diversification: sugar has no future once lucrative exports to the US at three times the world price stop in about two years' time.



If Mrs Aquino pushes through with a comprehensive programme, as she is under pressure to do, she will lose a reforming and previously supportive governor in Negros: Mr Lacson says he would resign.



Zhao Ziyang

Zhao attacks conservative opponents of reform

BY ROBERT THOMSON IN PEKING

MR ZHAO ZIYANG, the Chinese Premier, in a major pro-reform speech to senior Communist Party officials, has condemned conservative communists for fearing that the country is on the road to capitalism.

The speech was delivered two months ago, but not released until yesterday. It included strong criticism of party officials who tried to

broaden a drive against "bourgeois liberalism" - or Western influence - to include the economic reform programme.

A campaign against "bourgeois liberalism" was launched in the wake of student protests late last year and included the dismissal of the Communist Party chief, Mr Hu Yaobang.

In January the campaign was

supposed to be confined to party members, but conservatives also attacked artists, intellectuals and economic reformers for crossing the party line.

This attitude is politically wrong, and is in violation of party discipline," he said. While he did not identify the offenders, at other closed meetings he has named conservatives whom he considers are "ossified" and afflicted by "leftism".

The "leftists" have repeatedly condemned the reform programme, for violating communist principles and for leading the party and country down the "capitalist road".

Premier

Zhai

criticised the "leftists" for suggesting that leasing of businesses to individuals was promoting private ownership, and stressed that factory management reforms lessening the influence of party secretaries were not a threat to the party's overall power.

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S46

AMERICAN NEWS

Lionel Barber profiles 'Mr Goode,' campaigner against communism, while Stewart Fleming looks at the colonel's fighting legal counsel

How North's private war grew out of the public shame of Vietnam

IN TWO days of testimony to the joint Congressional enquiry into the Iran-Contra scandal, Marine Lt Col Oliver North has presented a vivid portrait of the alienation of the American soldier in modern US society.

The alienation goes beyond the Vietnam shock syndrome suffered by so many veterans (including North himself) returning home in defeat. It runs deep into the psyche of a man prepared to pay any price, bear any burden to fight the Communist threat, but who could not find a lawful place in the open, democratic society of the US today.

So he went under cover. As a middle-ranking White House aide Col North found his niche in the covert operation. Some of these para-military peacetime operations, like the mid-air interception and capture of the Achille Lauro hijackers, were extraordinarily successful.

All took place in a demi-world: the late night pay drops for Nicaraguan Contra leaders outside the White House; the bizarre code names such as "Joshua" (better known as Robert Reilly) and the most revealing of them all, "Mr Goode" (better known as Marine Lt Col Oliver Lawrence North).

Col North lives in a Manichean world where evil is easily traced and Moscow's threat to



Oliver North, left, and Brendan Sullivan

the US is pervasive: from communication intercepts from Cuba to Soviet intrigues in Africa, Asia and above all Central America, where the Sandinista Government in Nicaragua is a direct and very close threat to the US. "We

live in a dangerous world," is the marine's favourite preface.

He can reel off the name of every Marxist insurgency movement in the world without a pause. He was prepared to travel millions of miles, work

IN THE judgment of Sen Sam Nunn, one of the members of the congressional committee into the Iran/contra affair, he is "one of the best criminal lawyers around."

The man he is talking about is the slightly built, owlish-looking counsel to Lt Col Oliver North, Mr Brendan Sullivan.

Even before Col North's testimony began the tenacious Mr Sullivan had bruised the Congress's pride, forcing the committee to accept many of the conditions he was insisting on in return for Col North's public testimony.

Within hours of the opening of the public hearing the 45-year-old Mr Sullivan had also left an indelible mark on a national television audience.

The star witness had not had a chance to answer the committee's first question before Mr Sullivan had displayed his celebrated deter-

mination to fight tooth and nail in his client's cause—not least by trying to arouse public sympathy for a man whose honesty and patriotism had been under a calculated attack from his enemies as his public testimony approached.

Voluminous records which had been delivered at the last minute to him had been deliberately "shuffled by date and subject matter . . . so that one could not begin to understand what those records said," Mr Sullivan charged.

In the hours of interrogation that followed one of the enduring images has been the sight of the slightly built Mr Sullivan whispering into Col North's ear, one fatherly arm around the, at times, impetuous marine, the other stretched out so that his hand could cover the microphone before them.

Those who knew Mr Sullivan and his law firm, Williams and Connolly, expected no less, however. Mr Edward Bennett Williams, until a few years ago one of the partners in Washington's chief legal franchise, the Redskins football team, and owner of the currently somewhat bedraggled Baltimore Orioles baseball team, is a Washington insider to his fingertips.

But his law firm has a reputation for being ready to take on the toughest assignments. Mr Sullivan made his reputation doing exactly that in 1983, the height of the Vietnam war protests, two of 24 US soldiers charged by the army with mutiny at a California military stockade as a result of a sit-down strike, asked Capt Sullivan, who was not an army legal officer, to defend them.

According to the New York Times his aggressive prosecution of the case so angered the army top brass he was ordered to spend the last six months of his tour in Vietnam, a transfer that was eventually blocked.

Some question whether Mr Sullivan's aggressive approach to the Congress has been the best one. Others are predicting that the highest confrontation between him and the committee has yet to come. The stage for that has already been set.

Mr Sullivan has already charged the committee with "stalling" so as to be able to recall Col North next week after having had a weekend to analyse his testimony. The informal understanding between him and the committee was that Col North's testimony would end tomorrow.

Chose Col North as his surrogate. The marine, adopting the CIA director as a father figure, finally got his aggressive prosecution of the case. "I have never met," said Col North this week. "He could read a whole book on it plain."

There is a bohemian naivete about Col North which makes a nonsense of earlier White House propaganda that he was running a rogue operation in Government which no one else knew about. His naivete comes across most easily in his humour.

"I was Mr Goode, I was very good," or "I guess I must have shredded my memory," but he bares his soul before the television cameras as only an American can.

When he admitted to "the grossest judgment of my life"—accepting and later concealing the gift of a house security system worth \$14,000—Col North was trying to play a minor St Swithin's role.

Col North may be the best rehearsed Congressional witness to appear on Capitol Hill since John Dean in the Watergate hearings. His natural television personality, communicated in a melodramatic tone, have already turned him into a box office hit. But strip away the verbiage and look into those deep sunken eyes and you will see a true believer who is still waging his very own private war.

Greenpeace in new campaign

GREENPEACE, the environmental group, yesterday announced plans to confront nuclear ships on the high seas as part of an international campaign against the naval nuclear arms race. Reuter reports from Washington.

Greenpeace said it would use its five-ship fleet and other resources to oppose port calls by nuclear-armed or nuclear-powered ships belonging to the US, Soviet Union, Britain and France.

It did not mention action against China, the fifth power with naval nuclear capabilities.

Falklands defence budget cut

BRITAIN has cut the annual cost of defending the Argentine-claimed Falkland Islands from a high of £1.5bn (£2.8bn) to just £100m, an official report said yesterday. Reuter reports from London.

The report comes as Britain is said to be sharply cutting back on troop strength in the South Atlantic islands, which it recaptured after a battle with invading Argentine forces in 1982.

Media reports, unconfirmed by the Defence Ministry in London, combat troops would be cut to about

200 men from almost 1,000. This figure did not include support troops.

A report by the powerful all-party parliamentary select committee on defence said: "It is considered necessary to maintain a sustainable garrison in the South Atlantic, we believe that force levels should be determined by operational need rather than financial considerations."

The Government appears to have kept the islanders happy with visible commitment, while satisfying public opinion as to the annual costs in Britain," one parliamentary source said.

Defence experts said Britain had

incessant hours and even die for his country. Yet as he so poignantly testified, when he was targeted for assassination by the Arab terrorist Abu Nidal the US Government would not even provide a bodyguard. Still Col North fought on.

Many Americans (and many others abroad) would back the Contra rebel cause, too. But Col North was not willing to run the risk of losing in a public debate.

Having suffered the trauma of Vietnam, when first the US

Democrats signal fight on judge

By Stewart Fleming, US Editor, in Washington

SENATOR Joseph Biden, chairman of the Senate judiciary committee, has signalled the Democratic Party's determination to resist President Ronald Reagan's nomination of Judge Robert Bork to the vacancy on the Supreme Court.

He said hearings on the nomination would not open until September 15 and added it was "highly unlikely" he would vote for the nominee.

THE US Securities and Exchange Commission has launched its largest ever investigation of the US municipal bond market, one that could ultimately involve \$12bn in bond issues, according to a newspaper report, AP-DJ writes from Philadelphia.

The SEC is investigating about 60 tax-free municipal bond issues for possible securities fraud, the Philadelphia Inquirer reported, citing government and industry sources which it did not identify.

The bond issues, floated by municipalities to finance public works, apparently produced big profits for those who devised the deals but provided little money for construction sources the newspaper said.

Unusually, in the case could involve as many as 90 bond issues underwritten by at least 10 investment-banking concerns.

The Inquirer said the probe's targets include at least 10 bond issues underwritten by Matthews and Wright group. It focuses on whether billions of dollars raised by selling bonds were used to make improper investment profits rather than to build the projects for which the bonds were intended.

Panama protest to go ahead

By Peter Fair in Panama City

OPPOSITION political and business leaders said yesterday they would defy a government ban on demonstrations and hold a mass rally this afternoon.

Mr Rodofo Chiaro de Leon, the Interior Minister, meanwhile asked the army forces to take "the necessary measures."

The stand-off between military强人 General Manuel Antonio Noriega and the movement demanding that he be ousted thus threatened to provoke violence at the demonstration.

WORLD TRADE NEWS

Saudis approve four high tech offset ventures

BY FINN BARRE IN RIYADH

PROVISIONAL approval has been granted for four high tech offset joint ventures in Saudi Arabia under the Kingdom's "peace shield" offset investment programme.

The four projects, which include an airframe maintenance facility, are connected with a \$1.2bn contract to build a sophisticated air defence system for the Kingdom being implemented by a consortium led by Boeing of the US.

The consortium, which includes Westinghouse and ITT, has set up a special body, the Boeing Industrial Technology Group to handle the projects. The Saudi Government has its own committee comprising several ministers and officials to oversee the programme.

The Saudis have made clear their determination to recoup as much as possible from foreign military contracts in the form of investments within the Kingdom and technology transfer as part of their industrialisation effort.

Total investment under the Boeing offset programme will be approximately \$593m, split half and half between Saudis and foreign companies.

The first four main projects

Tokyo to tighten law on sensitive exports

JAPAN'S Minister of International Trade and Industry, Mr Hajime Tamura said yesterday he hopes to introduce parliamentary bills as soon as possible to revise and tighten laws to prevent exports of militarily sensitive goods and technology to communistic bloc countries, AP-DJ reports from Tokyo.

Technology is to be supplied by a range of companies including Boeing and Westinghouse, and Dornier of the UK. Contracts and technology transfer agreements are still to be signed.

Other companies that have been involved in talks with the Saudis on aspects of the peace shield investment programme include Racal of the UK and Thomson CSF of France.

Progress on the Boeing offset programme is in marked contrast with efforts to induce British companies to invest in Saudi Arabia in connection with the Kingdom's purchase of 72 Tornado aircraft from British Aerospace.

These have so far made little headway, much to the irritation of Saudi officials. Unlike the American programme, in which offset was a condition for peace shield bids, the desire for a British offset programme was announced only when the Tornado deal was signed.

The Ministry has been reviewing the country's foreign exchange control law, the export-trade control law and other related regulations since last week at Mr Nakasone's behest. The action is viewed as part of a government campaign aimed at easing widespread resistance in the US Congress due to the case made by Toshiba Machine, a subsidiary owned 50 per cent by Toshiba.

The US Government claims that Toshiba Machine's milling tools have made it possible for Moscow to make quieter submarine propellers that more easily escape detection.

Reuter adds from Tokyo: "The US is making it harder for Toshiba to import American goods following illegal exports to the Soviet Union by Toshiba."

Toshiba said the company had had to obtain separate licences for each American product imported since the end of June, when the US Commerce Department failed to extend previous blanket import licence.

Karen Fossli adds from Oslo: First signs of US trade sanctions against Norway's troubled defence company, Kongsberg Vaspesfabrik (KV), recently renamed KV of the US Department of Commerce.

The US has temporarily withdrawn KV Defence's general import licence which previously allowed any item produced by the US to be imported by Kongsberg.

"Depending on the strategic importance, there will now be a clearance procedure on every item intended to be sold to Kongsberg," said the US embassy in Oslo.

William Dullforce analyses efforts to change the agenda on debt and commodity prices

West ignores Unctad at its own risk

THE THIRD WORLD is mounting a renewed challenge to the West's prevailing orthodoxy on international debt, trade and commodity prices. The developing countries argue that a fresh approach is essential for their development, and that it must be incorporated into a global economic policy for reviving growth and creating jobs.

The platform is the seventh session in Geneva of the United Nations Conference on Trade and Development, an organisation which is politically suspect in Washington and whose operating record is to say the least unconvincing.

But developed nations would be well advised to take note. A dismissive reaction from the industrial powers could harden attitudes over debt repayment and blunt developing nations' readiness to co-operate in the Uruguay Round of the General Agreement on Tariffs and Trade.

While Unctad is not the most suspicious body in which to attempt such a change, it is the only major international economic organisation in which the developing countries can bring their weight to bear. The International Monetary Fund and the World Bank are dominated by the rich nations which supply the money.

Created in 1965, it was intended to serve as a forum for North-South economic dialogue and to promote international trade "as the primary instrument for economic development." In the era of conservative Western governments, it became a talking shop for Third World demagogues and an arena for North-South confrontation.

The US is particularly hostile. The Reagan Administration has tagged it as a free-market thinking and fit for the dustbin of history. It was partly due to US pressure that Unctad's former secretary-general, Mr Gamani Corea of Sri Lanka, resigned.

Unctad's best known role has

been in trying to promote developing countries' exports of commodities. In 1976 after the first oil price shock and with the accompanying take-off in commodity prices, the industrial countries accepted an Integrated Programme for Commodities aimed at stabilising the incomes of commodity producers.

While Unctad is the only four items required for development, commodities, international trade and the problems of the least developed countries.

Most importantly, the developing countries themselves have adopted a more subtle approach. They were steering clear of the temptation to get into an ideological debate and were "looking for common interests" with the industrial world, one ambassador claimed.

The record in the 1980s has been dismal. International Commodity Agreements, the most prominent covering rubber, coffee, cocoa and tin, turned out to be singularly ineffective in preventing the plunge of commodity prices.

A fundamental factor in Unctad's failure has been its custom of holding events four years apart and lengthy conferences which generated mountains of paper, streams of hot air and few practical results. The last conference in Belgrade in 1983 was a disaster.

But the conference which opened yesterday is "a different animal," according to one long-suffering Third World diplomat.

Its duration has been trimmed to three weeks and the agenda restricted to one general theme: "reviving multilateral cooperation for growth

per cent for the developed economies but as much as 14 per cent for developing countries.

Per capita growth in developing countries, which averaged 3.5 per cent a year in the 1970s, collapsed in the first half of the 1980s. Average real incomes declined in 21 out of 25 Latin American countries and in 31 out of 48 countries in sub-Saharan Africa.

Real non-oil commodity prices fell by about one third between 1980 and 1986 in terms of prices of manufactures reported by the industrial countries and are now at levels comparable to those reached in 1932 during the Great Depression.

Despite recent attempts by industrial countries to step up co-operation, Unctad's economists charge tensions in the world economy are mounting faster than policies are changing.

Hence, they argue, the need to sketch out at Unctad VII a strategy for enhancing development and restoring the momentum of development. Their message is that the interactions between money, finance, debt, commodities and trade, which have been depressing growth, could work in a positive direction if independently better managed.

In addition to seeking agreement on debt reduction which takes development into account, they have other specific demands.

These include a new round of consultations between producing and consuming countries to restore meaning to commodity agreements and

activation of the Common Fund for Commodities designed seven years ago to help finance the agreements but still not ratified.

The response from the West may not be encouraging.

Reference to Unctad VII in the recent OECD ministers' declaration and in the Venice summit communiqué said the conference would "provide an opportunity for developing countries to discuss major problems and policy issues in the global economy with a view to promoting common perceptions and effective policies."

But the West does not envisage Unctad undertaking any new role on debt or trade.

The West will focus the debt issue on the problems of the poorest countries and reiterate its willingness to furnish debt relief in Africa. Unctad VII might "refer general recommendations" to the relevant agencies such as the IMF and World Bank, but agreements to pursue new policies, or to set guidelines for the Paris go beyond the industrial countries' objectives.

On commodities, Western countries are unlikely to agree to more intensification of Unctad's programme aimed at helping commodity-dependent countries to diversify output.

Thus, Western reactions can be expected to fall well below even the more modest expectations of the developing countries. Some Europeans, notably Mr Claude Cheysson, the EC Commissioner for North-South Affairs, recognise a danger here and feel that the Community should fill the vacuum left by US indifference.



It's not often we're happy with second place.

Last Sunday's French Grand Prix was certainly a successful day for the Williams-Honda team.

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UK NEWS

Andersen chief calls for accountancy integration

BY BARRY RILEY

THE BRITISH head of Arthur Andersen, the world's second largest accountancy firm, has called for fundamental changes in the UK accountancy professional structure and for government initiatives if the profession is to make progress through self-regulation.

Mr Don Hanson, managing partner of Arthur Andersen, said yesterday that the Government should give the various accountancy bodies — there are six large institutes and several other minor bodies — a "relatively short period in which to integrate."

He was speaking at Cambridge at the annual conference of the largest accountancy body, the Institute of Chartered Accountants in England and Wales.

"The time is right to develop a more effective way of monitoring performance and competence within the profession," said Mr Hanson. He advocated a system of regular assessment of a firm's procedures and policies, linked to the granting or withdrawal of auditing

licences.

The traditional emphasis by the accountancy bodies on supervision of individual members, rather than on the firms in which they practise, would have to change, Mr Hanson said.

The Government would have to recognise that it was unrealistic to apply common auditing standards to all companies regardless of size, he said. The auditing profession could be far less innovative if the same standards had to be applied to all limited companies.

Mr Hanson urged enforced convergence between the various accountancy bodies. "There are no substantive arguments for retention of the present system of uncoordinated action by each of the professional bodies," he said.

He criticised the Joint Disciplinary Scheme, saying: "It's efforts to be fair to the system have become ponderous."

Discussing the Accounting Standards Committee, he said standards were increasingly a compromise between opposing

views, and the time taken to resolve issues was unacceptable.

The ASC should be given constitutional status separate from the accounting bodies.

"It cannot achieve its full potential while it is caught in the political and financial cross-currents surrounding the present accounting bodies," he said.

At the same conference Mr Michael Renshaw, ASC chairman, welcomed the proposal made earlier this week by the accountancy bodies for a review of the process for setting standards.

Innovations in financial techniques were presenting complex questions to which there were no easy answers. Extra resources would be needed, he said.

The system of requiring accounting standards to be approved by six separate accountancy bodies was "ponderous and divisive," said Mr Renshaw, a partner in Peat Marwick McLintock. The ASC standards will be empowered to issue standards in its own right.

Car production rises by 14%

BY JOHN GRIFFITHS

CAR PRODUCTION in the first six months of this year was up 14 per cent on the same period of 1986 and was the highest for a first half since 1979, according to provisional estimates from the Department of Trade and Industry.

Seasonally-adjusted car output in June was 103,000 units, compared with 89,000 units in the same month of last year. Output for the half was up 51

per cent over the second period of last year.

The DTI attributed the "particularly strong" performance to both the continuing buoyancy of the new car market, in which UK-produced models have regained market share, and to a recovery in export production.

Statistics from the Society of Motor Manufacturers and Traders earlier this week indicated that the new car market is heading for record sales for the third consecutive year.

Significantly, the statistics showed that Ford, the market leader, sourced 72 per cent of its sales from UK plants, compared with 64 per cent in the same period last year. Vauxhall sourced 70 per cent from UK plants, compared with 58 per cent in last year's first half.

In particular, he favoured plans to refurbish disused power stations as combined heat and power (CHP) centres, such as that proposed by consortia of private and public interests in cities including Leicester and Sheffield.

At the same conference, Mr Malcolm Edwards, British Coal commercial director, said he foresaw a significant role for CHP in the Government's programme for refurbishing disused inner city sites. Under a CHP system, the heat normally wasted by power stations is sold through a distribution grid to nearby buildings.

Mr Edwards said: "Britain had a chance to get on the CHP bus" which must not be missed.

Labour MP urges rethink on electricity privatisation

By Maurice Samuelson

LABOUR SHOULD start some fresh thinking over the planned privatisation of the electricity industry, Mr Ted Rawlins, a party energy spokesman, said yesterday.

Labour would oppose privatisation but there might be a case for reorganising the Central Electricity Generating Board into smaller units more responsive to local conditions, he said.

"We do not find much of a future for the Labour Party in fondly hoping that we will some day be able to turn the gas and electricity juggernaut back to social ownership," Mr Rawlins, MP for Merthyr and Rhymney, told the annual conference of the Combined Heat and Power Association in Tiverton.

"Post-war generation built up a mighty integrated energy suppliers to match the mighty industrial manufacturing complexes which were energy greedy and energy hungry but those patterns have changed dramatically.

"We must therefore look for a diversification of energy supply to meet the diversification which has already occurred in our post-industrial society."

In particular, he favoured plans to refurbish disused power stations as combined heat and power (CHP) centres, such as that proposed by consortia of private and public interests in cities including Leicester and Sheffield.

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Mr Edwards said: "Britain had a chance to get on the CHP bus" which must not be missed.

Compact disc maker to axe 108 in S Wales

By Anthony Moreton, Welsh Correspondent

NIMBUS RECORDS, which claims to be Britain's biggest maker of compact discs with just under 5 per cent of the world market, is to lay off 108 workers in South Wales in an attempt to bring down costs following a rising tide of imports from Japan and South Korea.

Two plants are affected: 65 jobs are to go in Cwmbran, Gwent, and another 43 at the company's nearby Monmouth headquarters.

The company, which says that in recent years it has spent "many millions" on new capital investment, is to introduce more technology and new working practices to keep up with the Far Eastern imports.

Its CD production amounted to £1.7m in 1985, rose to £9.3m last year from some 20m discs and is expected to top £20m this year.

Mr Stuart Garman, company secretary, said yesterday: "World demand is still rising steadily and is expected to continue into the 1990s."

"If we are to stay in this market, and remain competitive in both Europe and the US in the face of Japanese and South Korean competition we have to organise ourselves efficiently. The action we have just taken is to ensure Nimbus remains competitive."

This advertisement is not an invitation to subscribe for shares

Offer for Subscription under the Business Expansion Scheme of up to 15,000,000 Ordinary shares of 10p each at 15p

The first Walker Module 2 Wing strut has now been in service for nearly 12 months, and is performing well above initial predictions. It has:

■ acted as a stem strut, thus reducing towage costs

■ already exceeded predicted miles of fuel saving

■ steadily rising fuel prices make the company confident that this important new market will open up strongly in 1987.

In addition, a brand new 42 ft trailing wingstrut trimaran, Planesail 1280 will be launched later this year. Offering high performance, single person fingertip control, and computer protection against both wind and wave capsize, she is already under construction at the yard.

For the latest NWWS newsletter and a copy of the prospectus, please fill in and return the coupon. No intermediaries should apply, since it is intended that the Offer will be made available only to individuals, and no commissions will be paid.

The minimum subscription will be £105, although the minimum total investment in the company in any given tax year to qualify for tax relief, is £500.

Over 1.6m has been raised to date under this prospectus.

Walker Wingsail Systems Ltd, 18th November 1986.

The results of this year's trials are approaching, so far as the first flight tests were concerned, 100% success.

Approaching 50% of the recorded equipment showed that, with the pitch set at 85%, the heel flow meter was reading around 38 litres per mile and the speed at just over 10kts.

At the waterline level, the heel flow was reduced to around 30/32 litres per

mile and the speed climbing to around 14 knots.

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BRITAIN GREAT!

Clay Harris examines the changing face of outdoor poster advertising

A glimpse of past and future profit

OUTDOOR poster contractors have developed a number of gimmicks in recent years to enhance the visual interest and revenue potential of their sites. One is the hoarding which shows one poster then flips to display another.

Yesterday's belated decision

by Lord Young to order a Monopolies and Mergers Commission inquiry into the six-month-old takeover of London & Continental Advertising Holdings by MAI, the financial group, bears some resemblance to these hoardings. It gives a flavour of the past and future of the poster industry with its estimated annual gross revenue of nearly £200m about 6 per cent of all advertising expenditure.

The investigation will be the second involving the poster industry in eight years. British Posters, a consortium of leading contractors, was disbanded after an unfavourable monopoly commission report in 1981.

The MAI takeover of LCAH, which ended in the autumn, bears some resemblance to the poster industry in 1981. The Council of Outdoor Specialists, whose members arrange the hoarding of about 80 per cent of UK poster space, estimates that MAI now has 50 per cent of the prime 48-sheet market (20 ft wide and 10 ft high). MAI has two-thirds or more of posters of this size in Northern Ireland, East Anglia and north-east England.

The COS has signalled its intention to oppose any bid by MAI for British Transport Advertising which British Rail has put up for sale. The short list for BTA is also believed to include More O'Farrell, a management buy-out and a syndicate led by Mr Bob Burnett of Taximeda.

Outdoor specialists evolved to fill the marketing vacuum created by the break-up of British Posters. Not surprisingly, they are not the biggest fans of the emerging consolidation of capacity in a few hands.

Mr Hollick, MAI managing director, maintains that the changes are "marginal" and do not in any case affect his company's market share, but the OFT appears determined in this case to stick to the

give MAI less than a third of the narrowly defined roadside market after the takeover, some experts suggest that its share of certain key poster sizes is much higher.

Mr Hollick says that the number of LCAH sites available to be sold was reduced by 7 per cent to 8 per cent by the exclusion of "charter-in" sites owned by third parties. MAI and Maiden went through a laborious selection process to divide them up.

Three representatives from each side met for 15 days in a London hotel, to choose sites one at a time. At each session, they had to rely on memory of the list of 15,000 sites, as no notes or artificial aids were allowed in the room.

Primesight had agreed to buy 4,000 four-sheet boards (3 ft 4 in wide by 5 ft high) from MAI, but in the end took additional sites which Maiden did not want.

Mr Hollick insisted yesterday that rescue by MAI was the only viable way to prevent LCAH, the sick man of the industry, from affecting other players. With government permission to continue operating the merged business during the inquiry, MAI now hopes that the worst it will face is the requirement to sell or shuffle a few more sites.

Urban renewal grants of £43m are approved

By Hazel Duffy

THE GOVERNMENT yesterday approved 14 inner area programmes, worth £43.7m, submitted by local authorities in London, the Midlands and the north.

Money is paid by the Department of the Environment under the Urban Programme direct to local authorities for a range of projects aimed at economic regeneration, environmental improvements and to deal with social problems in urban areas.

The latest tranche is part of the allocation of £272.3m by the Government for 1987-88. The money will be divided between 57 local authorities, which will receive 75 per cent grants towards approved projects.

Mr David Trippier, junior environment minister for inner cities and urban development, said: "These measures will help improve the inner cities and stimulate private sector investment so that local economies are strengthened and employment generated."

Call to develop ocean reserves

BY KEVIN BROWN, TRANSPORT CORRESPONDENT

THE WORLD market for extracting resources from the ocean could reach more than £160bn a year over the next 20 years, according to a series of studies published yesterday by the Trade and Industry Department.

The authors conclude that British companies could win a substantial share of this market, but only if research and development is co-ordinated through well-financed consortiums and a strong lead is given by the Government.

Professor Kuo said the estimates for the total size of the market were probably conservative. He forecast that ocean exploitation could eventually support 2.3m jobs worldwide, and 700,000 in the UK.

A study by the Institute of Offshore Engineering at Heriot-Watt University calls for a "UK LTD" approach. However, it warns: "The DTI must recognise the absolute need to provide a lead, from the front, into this presently rather diffuse market."

The surveys indicate that there is little market potential around the UK continental shelf, but there could be strong demand for British technological skills in the Pacific Basin, Indian Ocean and Australasia, where most recoverable resources are believed to be located.

The surveys were commissioned by the DTI to identify opportunities in the largely unexploited fields of recovering deep-sea mineral reserves, exploiting offshore energy resources and exploring and mapping the sea bed.

A further report on marine culture — farming the sea — is expected shortly.

The surveys indicate that there is little market potential around the UK continental shelf, but there could be strong demand for British technological skills in the Pacific Basin, Indian Ocean and Australasia, where most recoverable resources are believed to be located.

The study says investment in ocean exploitation is high risk, but offers strong long-term opportunities. It concludes that government aid is essential.

The studies were financed at

a cost of £300,000 from the DTI Resources from the Sea programme, for which £8m over three years has been earmarked from the Support for Innovation budget.

Mr Mike Hoddinott, the assistant secretary responsible for the programme, said the Government recognised the pressure for more funding and would consider the reports carefully.

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£300,000 from the DTI Resources from the Sea programme, for which £8m over three years has been earmarked from the Support for Innovation budget.

All options involving subscription to existing channels are undesirable when evaluated from the standpoint of economic benefit-cost analysis," the report concludes.

There was no evidence to suggest that a pay channel showing the present mix of information and entertainment programmes would be viable although people wanted and were prepared to pay more for premium television.

If BBC channels were combined and commercial television remained "free" BBC1 would receive only £250m from subscription revenue — half its present running costs. BBC 2 would also operate at a loss.

The Home Secretary added, however, that "subscription at the right time and place" might make the broadcasting system more responsive to consumer preferences.

Subscription Television — A Study for the Home Office HMSO 25.50.

Revenue rapped over failed computer plan

BY HAZEL DUFFY

THE Inland Revenue was criticised yesterday for an aborted development in its computerisation programme that cost taxpayers £4.5m.

UK NEWS

Shops complex planned for Liverpool docks

BY IAN HAMILTON FAHEY, NORTHERN CORRESPONDENT

PLANS for a retail complex in Liverpool's redundant city centre docks were unveiled yesterday as part of a £110m redevelopment. The joint developers are pressing the Department of the Environment for an early decision.

The scheme would have 2.25m sq ft under cover, including 450,000 sq ft of retail malls, 300,000 sq ft of offices, a 130,000 sq ft exhibition hall, a 135,000 sq ft museum, a 100,000 sq ft hotel and a 450,000 sq ft underground car park.

It is planned for the disused Princes and Waterloo Docks, next to the Royal Liver Building at Liverpool Pier Head. It will be a modern architectural counterbalance to the Albert Dock, which is being redeveloped on the opposite side of the Pier Head, mainly with government money disbursed by Merseyside Development Corporation.

Joint developers are Errill Holdings, a Nottinghamshire-based property company with

a 220m development as its biggest to date, and Mersey Docks and Harbour Company.

The scheme would also include a new port hub for the port's Irish and Manx ferry traffic, with associated customs halls.

If it goes ahead, all the money will come from the private sector, making one of the biggest such privately-funded ventures in the UK. The money is coming from three so far unnamed sources—a clearing bank, a merchant bank and an international bank. But with finance guaranteed only if the scheme gets planning permission, the joint developers immediately pressed the Government and local authority for an early decision.

This is certain to create a dilemma for Mr Nicholas Ridley, Environment Secretary, who has been asked to institute an inquiry into the scheme. He has already done so with several letters to the Government automatically for inquiry.

Cut-price travel deals backed

BY DAVID CHURCHILL, LEISURE INDUSTRIES CORRESPONDENT

TRAVEL AGENTS were yesterday given the statutory right to offer special discounts to customers as part of their marketing strategy for foreign package holidays.

The Government laid an order before Parliament making it illegal for tour operators to try to prevent travel agents offering such discounts or other forms of promotion.

The move is in line with the recommendation of a Monopolies and Mergers Commission report last autumn which found that efforts by tour operators to prevent agents offering discounts was against the public interest.

However, the regulation means that any price cuts on package holidays must be borne by travel agents themselves. Tour operators can still set prices in their brochures but they cannot stop their agents from offering special reductions to customers.

In its first annual report, the trust, which replaced the Travel Agents Fund Agency in January 1986, said the amount held in trust to cover failed holiday companies stood at £21.8m last year.

Payments are made by the trust when a failed air tour operator's bond money—the amount lodged with the trust when an operation licence is granted—is exhausted, repatriating holidaymakers or reimbursing those who have lost money.

The trust is the second line of protection for holidaymakers who lose when tour operators collapse.

Its committee says in the report that "package holidaymakers are well protected at a low cost per person" and it does not see the need for significant changes in tour operators' bonding or air travel trust arrangements.

Meanwhile, the Civil Aviation Authority revealed yesterday that £1.3m was paid to customers of 15 failed air tour operators by the Air Travel Trust in the year to March 31.

Expert systems attract growing business interest

BY ALAN CANE

MOST LARGE organisations in the UK are experimenting with "expert systems"—a simple form of artificial intelligence, though they are still being used for comparatively undemanding business applications.

But the commercial secrecy, which surrounds many of these developments is hindering the growth of expert systems.

These are some of the main conclusions of a study of expert systems in UK business carried out for the Alvey Directorate, by Mr Alex d'Agapeyoff and Mr C. J. B. Hawkins.

Expert systems involve capturing the knowledge of experts in a given field and storing it in a computer memory, from where it can be retrieved in the form of apparently reasoned answers to questions. They are seen as one of the

most important new aids to business.

The report, which was published yesterday, notes that although the pace of expert systems development is increasing, it is constrained by a lack of management commitment, poor organisation and secrecy.

It says that existing projects are simple in form. "They should be treated more vigorously as a stepping stone towards the tackling of really significant applications."

Senior management must develop a better understanding of expert systems, the report argues, suggesting that priorities must be set within an overall strategy for information technology. "Every organisation beyond the smallest should at least consider their adoption,"

they are seen as one of the

Unemployed a resource RIBA told

By Fiona Thompson

ORDINARY people should be involved in the process of rebuilding cities, Mr Rod Hackney, president of the Royal Institute of British Architects, said yesterday.

"With 3m unemployed, we must readjust our vision and see this as a huge, untapped resource," he told the International Housing Conference in Glasgow. "In reality they are of far greater value than expensive North Sea oil or difficult-to-extract British coal."

The housing problem could be eased by people building their own homes, he said.

"It should not be beyond the collective ingenuity of the building industry, financial institutions and the Government to come up with solutions that do tap into the resource of human endeavour among the unemployed."

The Government would spend about £5bn on benefits this year, he said. Many recipients lived in slums while their environment festered. "They are being paid to remain idle, to do nothing towards solving their immediate problems."

Some councils were paying £15,000 a year to keep families in temporary hotel accommodation in just two years this could have paid for decent permanent homes.

About 1.4m houses in Britain were officially classified as slums, he said, and the country's housing problem was the worst in Europe.

Barclays said last Friday it had opted to designate its branch staff as "company representatives," meaning that under the SIB's rules they can sell only the bank's in-house products.

Barclays pointed out however that branch staff would still be able to refer customers to BISCO, which will remain an independent intermediary.

Barclays to merge retail financial services sections

BY OUR FINANCIAL STAFF

BARCLAYS BANK will proceed with merging its two retail financial services sections after deciding that branch staff will act as "company representatives" under the Securities and Investments Board's "polarise and integrate" policy.

The bank said it had initially planned to integrate Barclays Financial Services with Barclays Bank Trust Company in January this year. It postponed the merger because of doubts about the final shape of the SIB's requirements.

Barclays Financial Services has three sections: Barclays Life, a life assurance company with 700 direct salesmen; Barclays Unicomb, a unit trust group; and BISCO, the bank's insurance broking department.

Barclays Bank Trust Company offers portfolio management and acts as a trustee.

A decision to merge the two was taken in principle in 1985, with the aim of providing a complete range of services through one main financial services subsidiary.

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For the three months 10th July 1987 to 9th October 1987 the notes will carry an interest rate of 3.65% (Fibor less 0.10%) per annum with a coupon amount for DM45.63 per DM 5,000.—notes.

The relevant interest payment date will be 12th October 1987.

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UK NEWS

Life group to quiz single men over AIDS

By Eric Short

GUARDIAN ROYAL Exchange Assurance, a leading composite insurance group, is requiring almost all single men seeking life assurance to complete a separate questionnaire relating to AIDS.

The company, in common with all life companies, has a standard question in its normal proposal form on AIDS, following the recommendations of the Association of British Insurers.

This asks whether the proposer has consulted about or received treatment for AIDS or AIDS-related conditions, has had a blood test or has had or is considering taking counselling on AIDS.

Many life assurance underwriters do not consider such questions sufficient to identify potential AIDS groups. US life companies have found that mostly potential victims have sought life cover and not disclosed relevant information.

Life reassurers in the UK feel that certain insurance intermediaries, particularly in London, are trying to get life cover for certain groups regarded as potential AIDS victims by bypassing the existing question.

So GRE requires all single men between 18 and 65 seeking life cover of at least £40,000 to complete a supplementary questionnaire. This explains the risk of AIDS and how it affects life company underwriting and asks two questions:

• Does the person to be assured belong to one of the following AIDS high-risk groups—homosexual men, bisexual men, intravenous drug users, haemophiliacs and sexual partners of these groups?

• Has the person to be assured received or is intending to seek medical advice, counselling, treatment or a blood test in connection with AIDS?

The questionnaire emphasises that a member of a high-risk group will not automatically be refused life cover but the person to be assured would be sent for medical examination that would most likely result in cover being refused.

Mercantile and General Group, a leading life reassurer, together with other life reassurers, has for some weeks been asking its direct life company clients to send a similar questionnaire.

Design changes add £90m to cost of frigate

BY LYNTON McLAIN

THE COST of the Type 23 frigate to be launched today from the Scotstoun yard of Yarrow Shipbuilders on the Clyde has risen from the £60m originally estimated before the Falklands' conflict to about £150m, after design changes to counter threats from fire, smoke and sea-skimming anti-ship missiles.

The Type 23 was designed originally as an anti-submarine frigate with no defensive weapons. After the Royal Navy's experience in the Falklands, where Sea Wolf missiles shot down aircraft and attacking missiles, all Type 23 frigates are to be fitted with a comprehensive anti-missile system in the new vertically launching Sea Wolf from British Aerospace. That added substantially to the cost of the current version of the ship.

Export prospects for the Type 23 are limited, although sale talks with Pakistan are at an advanced stage, Yarrow said.

To capitalise on the Type 23's development costs, Yarrow has designed a lighter export derivative of the 3,500 tonne vessel, the so-called light patrol

frigate of 2,800 tonnes.

The company developed this "because the world market for Royal Navy Type 23 frigates is limited," Mr Robert Easton, chairman and managing director of Yarrow Shipbuilders part of GEC, said yesterday at a pre-launch briefing.

Versions of the Type 23 could be potential candidates for the North Atlantic Treaty Organisation frigate for the 1990 programme, although Yarrow admitted that the vessel was "at a stage before the Nato frigate programme."

Britain is not formally part of this study programme, which is led by West Germany, but the Type 23 "could be made into a very good Nato frigate," Yarrow said.

Up to 1,300 UK companies are involved in the production of equipment for the Type 23 programme. Yarrow is building three of the vessels. Swan Hunter on the Tyne is building one and the Ministry of Defence confirmed yesterday that it would invite tenders for a further four frigates in September, with the orders likely to be placed in the middle of next year.

MoD to spend £120m on Clyde submarine base

BY LYNTON McLAIN

THE MINISTRY OF DEFENCE confirmed yesterday that it is to spend £120m on port infrastructure work on the Clyde for Trident ballistic missile nuclear submarines.

The contract was let by the Property Services Agency, on behalf of the MoD, to Cementation, part of the Trafalgar House group. The work would provide 600 jobs in Scotland.

The contract is to provide a covered ship lift for raising Vanguard-class Trident submarines out of the water for maintenance; finger jetty and explosives handling jetty at Coulport on the Clyde.

At Rosyth, work is under way on the re-fit of refit facility for fitting the Vanguard class of Trident submarines.

The ship lift is to be built at a cost of about £30m by NEI of Tyneside. The contract is not yet signed but is expected to provide work for Clarke Chapman, an NEI company at Gateshead.

The ship lift and finger jetty will be built on 1,000 steel piles to be sunk into the loch.

Earlier contracts worth £135m have already been let and more are to follow for the Trident nuclear missile armament department and explosives handling jetty at Coulport on the Clyde.

At Rosyth, work is under way on the re-fit of refit facility for fitting the Vanguard class of Trident submarines.

At Rosyth, work is under way on the re-fit of refit facility for fitting the Vanguard class of Trident submarines.

Education authorities oust chief negotiator

By David Brindle

LOCAL EDUCATION authority leaders in England and Wales yesterday deposed Mr John Pearman, their leader in negotiations with the Government and in the fruitless attempt last year to reach a settlement of the teachers' pay dispute.

He was replaced as chairman of the education committee of the dominant Association of Metropolitan Authorities by Mr Neil Fletcher, a fast-rising left-winger who was elected leader of the Inner London Education Authority in similar circumstances two months ago.

Mr Pearman is believed to have been ousted by a vote of 19-2 within the Labour group which has a clear majority on the AMA committee. He will automatically lose his position as leader of the local authorities as a whole within the schools sector.

Although he is to the right of Mr Fletcher, the move is thought to have been motivated not by politics but by criticism of leadership style. Other committee members are said to have felt Mr Pearman had adopted too individual an approach.

Mr Pearman is leader of Wakefield city council and is a commissioner on the Manpower Services Commission. He had been AMA education chairman since early last year.

Mr Fletcher, a 43-year-old education officer at Nalgo, the white-collar local government union, was already the local authorities' leader in the further and higher education sector. He has been shaking off a hard-left reputation and developing a name as a tough negotiator.

The Labour majority of education authorities is likely to ensure he duly becomes leader and spokesman for all the authorities in their representations to the Government over its planned education reforms.

Terry Dodsworth examines mounting criticism of a telephone company

BT getting its lines badly crossed

THE TIMING must have been unintentional but British Telecom's report and accounts for its last financial year could hardly have been published on a day when they were more likely to catch the eye.

The corporation has just suffered a bad couple of weeks, hit by perhaps the worst spell of public anger since the heady days of privatisation.

It has been lambasted on the one side by the Office of Telecommunications, the industry's regulatory watchdog, and on the other by National Consumer Council. Critics have cited its record on repairing faults and its prices and delays in installing business lines.

Yesterday, its main union joined the fray, declaring that customers were right to complain about prices and "continued declining standards."

Just a couple of days ago, BT showed it was willing to eat at least some humble pie in the face of this onslaught.

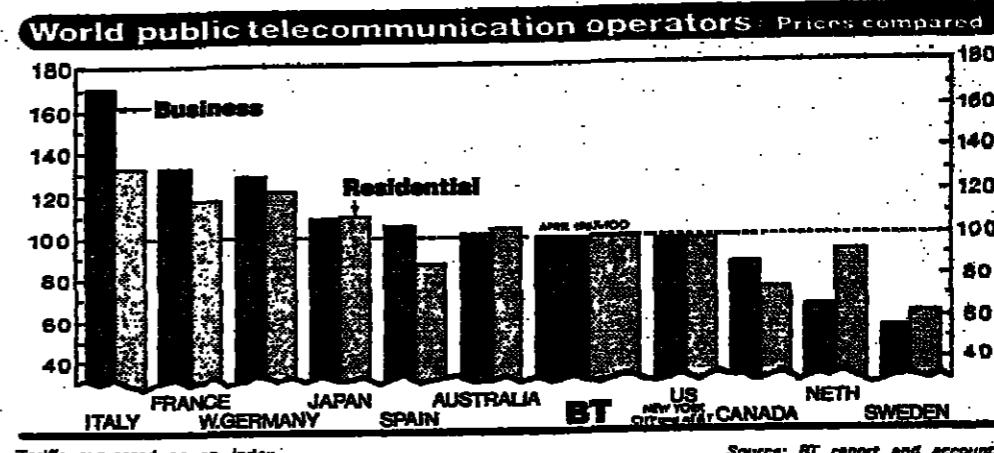
At a Financial Times conference aimed specifically at the business market, Mr Paul Reeve, director of sales, said the company was not satisfying its business customers.

BT had particularly fallen behind in London because of a combination of bad weather, extraordinarily high demand and its engineers' strike, he said.

However, a similar note of contention was not easy to find in yesterday's report. Indeed, the news release accompanying the accounts was headed: "A year of notable successes." And Sir George Jefferson, BT's chairman, said that although the company knew it had some problems, "these should not be allowed to hide the very real achievements of 1986-87."

He listed several developments, including 2.5m more lines in service since privatisation, a 50 per cent increase in City demand for private circuits, £5m spent on modernising and the quality of its services?

Professor Bryan Carsberg, director general of Ofcom, believes that much of the problem lies in the question of perceptions.



Source: BT report and accounts

expanding the network and more than half the £160m programme completed.

These figures are clearly statements of fact about the company's performance but the NCC survey, conducted by the MORI polling group among 1,824 adults in early March, shows a very different perception of BT among its customers.

BT had particularly fallen behind in London because of a combination of bad weather, extraordinarily high demand and its engineers' strike, he said.

Nevertheless, these attitudes are real enough for the people who hold them, and they seemed to have been hardened by several events in recent months. Among these are:

- The explosion of demand in the City, which, according to Mr Reeve, ran out of control after Christmas. Although BT claims to have planned medical staff for the Big Bang, its forecasts fell well short, leaving many dissatisfied customers in a sector of the community which has had to steer a cautious course in the past few days, as he is under attack himself from the NCC over his dual role in regulating the industry and dealing with complaints about it.

But he has warned against putting too much weight on a report like the NCC's which deals, he says, with people's views rather than the facts.

Nevertheless, these attitudes are real enough for the people who hold them, and they seemed to have been hardened by several events in recent months. Among these are:

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These figures are clearly statements of fact about the company's performance but the NCC survey, conducted by the MORI polling group among 1,824 adults in early March, shows a very different perception of BT among its customers.

- The engineers' strike in February also set the company back on its installation programme.

• Since privatisation, the company has considerably raised its profile and the expectations of the public in what it will deliver. Indeed, it is these increased expectations which may have become the biggest problem. BT now finds itself struggling to balance its radical modernisation programme against the City's demands for improved profits and the number of customers for a telephone or fax machine.

The public has been taught by BT's publicity and the hype about privatisation to demand more than BT can offer for the moment, apparently.

The corporation must now live up to its claims, and a government which is as committed as the present one to the cause of privatisation must be anxious to see that it succeeds.

Pet food sales rise to £766m

By Alice Rawsthorn

THE PICTURE of Britons as a people lavishing love, attention—and expensive pet foods—on their dogs and cats is borne out by a report into the pet food market which shows that sales rose to a record £766m last year.

There are 10m dogs and cats in Britain, providing a lucrative market for pet food producers, according to a study by Marketpower, the market analysis company.

Dogs gobble up £300.2m of canned food last year. Pedigree Pet Foods dominated the market, claiming 50 per cent of sales for brands such as Pedigree Chum and Mr. Dog Spillers. Pedigree dominated the £92.7m dog biscuits and meal sector with a 65 per cent share for products such as Whinlaf and Shapes. Semi-moist dog food mustered sales of £16.1m.

Cats tucked away £223.8m of canned food last year. Pedigree Pet Foods dominated the market, claiming 50 per cent of sales for brands such as Pedigree Chum and Mr. Dog Spillers. Pedigree dominated the £92.7m dog biscuits and meal sector with a 65 per cent share for products such as Whinlaf and Shapes. Semi-moist dog food mustered sales of £16.1m.

Pet owners are increasingly inclined to indulge their cats and dogs with expensive products. Sales of both canned dog and cat foods were boosted by a preference for chunky meat in jelly rather than the traditional paste consistencies.

Pedigree and Spillers continued to dominate the market, collectively claiming sales of £572m, almost 75 per cent of the whole. Own-label products were restricted to just 1 per cent of sales. The penetration of own-label varies from product to product, ranging from 20 per cent of dog biscuits and meal to less than four per cent of semi-moist cat food.

Not only is the dog and cat population in Britain expected to continue to grow, but Marketpower anticipates annual revenue growth of 8 per cent until 1991.

The Pet Food Report. Marketpower, 84 Uxbridge Road, London W13 8RA. £85.

Whitbread to spend £20m in Scotland

WHITBREAD is to invest more than £20m over the next four years in building its restaurant activities in Scotland.

It intends to open up to 20 Beefeater restaurants in Scotland by 1990. It will also increase the number of Threepenny, Licences and Pizza Hut outlets, which it owns jointly with PepsiCo.

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Three boroughs agree on London strategic road link

By Kevin Brown, TRANSPORT CORRESPONDENT

THREE LONDON boroughs have reached preliminary agreement on an important link road in one of the first strategic highways agreements since the abolition of the Greater London Council.

The agreement is seen by the road haulage lobby as the first step towards a south London orbital route which could ease pressure on the congested A205 south circular.

The road would run for four miles from the A205 near Croydon to the A217 near Mitcham, where it would link with two other schemes planned by Merton—the Church Road extension and the A24 relief road.

The preliminary proposal for a 10-metre-wide single carriage way is thought unlikely to provoke much local opposition. The scheme is at an early stage,

however, and has still to be approved by councillors.

The three boroughs would expect to receive the normal 50 per cent funding for a new road from the Transport Department. Further financing could be available if the road could be shown to have a strategic value.

Movement for London, a highways pressure group supported by the AA and road haulage organisations, said the proposal could prove the beginning of one of the most important highway developments in south London since World War Two.

Mr Jeremy Hawksley, secretary of MFL, said the road could form part of a South London Orbital Road from the A2 near Falconwood in south-east London to the A4 near Heathrow Airport, part of which would have to be constructed in a cut-and-cover tunnel.

Interest has been stimulated by the performance of Britain's first multiplex at Milton Keynes, Buckinghamshire. This was opened by AMC in a joint venture with Bass in November 1985.

Ford tops farm tractor league

By Nick Garnett

THE PROPERTY MARKET By PAUL CHEESERIGHT

London's shrewd innovators

Ask a property man how to make money and the reply will probably come back, "Innovate". In essence, this response has two meanings. First, it suggests doing something before the rest of the pack follows; or finding an area where the sites are cheap now but will become expensive later.

Second, it means finding an angle, a different way of exploiting the trend before the mass of developers have realised its potential.

Those who had the courage to invest early in London Docklands, for example, have seen the value of their investments soar. And those who stopped leasing industrial property over 25 years ago were prepared instead to accept shorter term rentals, also saw much higher yields.

Here there are two cases of innovation involving companies of different generations. One, London Merchant Securities, with a property owning and developing history going back to the 1940s, had the wealth and patience to hold on to land bought in anticipation of a spread in London's commercial activity. The other, Industrial Ownership, was recently established on the back of an idea to exploit ownership and leasing trends in industrial property.

LORD RAYNE, 70 next birthday, has been a property man for 40 years—the same generation as Lord Samuel of Langdon Park, Lord Lee, formerly of ICI. He too, like his father before him, has sites around the Angel, Islington—five minutes north of the Bank of England.

But for some years he has been one of the forgotten men. London Merchant Securities, his company, was mainly interested in property, with oil, engineering and leisure sidelines. But now the diversifications are in other quoted companies and LMS has started to stretch its property limits.

"Max Rayne is a trend setter," says Wally Millson, one of the LMS directors. "He's cost of £31m, but that is 15



The Angel Centre in Islington which was completed by London Merchant Securities in 1983

months out of date in—at least for central London—a soaring market.

In its 1983-87 first half, to last September, LMS had net capital inflow of £7.4m, up £1.5m more than in the comparable half of the previous year.

It is not trying to compete with developers seen as more glamorous by the market. Mr Millson quotes Lord Rayne as saying if something only works on a trading basis, it's marginal.

"If it's worth doing, it's worth holding," he said.

But that is not to say that LMS should not take a stake in a developer if it could obtain it cheaply enough. And the company will buy assets, especially in the retail sector.

We would like to buy more shops out, we're not prepared to compete with institutions to get a yield of 5.5 per cent," commented Mr Millson.

It has just bought a 55m portfolio producing an initial yield of more than 9 per cent with rent reviews starting next year.

JOHN SIMS spotted two things. He noted that the property investing institutions had lost some of their enthusiasm for industrial estates and he saw that there is a tendency for smaller companies to buy their premises if they can.

Industrial Ownership is the company this 24-year-old entrepreneur set up to bring the two together. "I'm doing for industrial tenants what Margaret Thatcher has been doing for council tenants," he says.

The mechanics work like this. An industrial estate has a value of, say, £25 a square foot as a whole. But an individual set of premises may be worth £29 a square foot to a sitting tenant who wants to buy it. So, buy the whole estate at £25, sell the individual units at £29 or what the market will bear, and hold on to those which cannot be sold for a high yielding investment.

Taking big profits from the institutions

If 100 per cent want to be owners."

So he sees Industrial Ownership as both a clearing house and a growing investment holding company of high-income modern property, where initial yields are 12-13 per cent.

He is interested in the properties built in the 1970s which are now seen as second-

best. "I'm doing for industrial tenants what Mrs Thatcher has been doing for council tenants?"

Mr Grimley, his advisers, estimate there is £1bn worth of this in the country. The Investment Property Data-bank, in its latest analysis of

institutional property holdings, said that 44 per cent of their industrial portfolio was constructed in the 1970s.

Since 1980 though the proportion of industrial property in the average institutional portfolio has fallen from 18 per cent to 12.8 per cent.

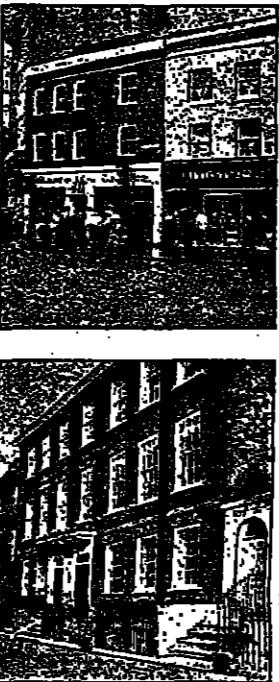
Today he will be signing the contracts for a purchase in south London. This follows purchases of estates over the last 18 months in south west London from Allied Dunbar, in Southall from Barratts, in Peterborough from Abbey Life and in Southend from the East Midlands Local Authorities Pension Fund.

Mr Sims finds the estates and arranges all the finance but works in a running joint venture with Bernard Sunley, the contractors. That association gives him extra stability in arranging finance.

Financing comes from banks—often Belgian, Danish and Irish—which can see the loans turning over quickly as the estates are broken up for sale. "I've found the foreign banks are sympathetic to this sort of lending," says Mr Sims.

To give a certain symmetry to the whole proceedings the institution selling the estates have the opportunity to offer mortgages to the tenants wanting to buy the units that have been sold to Industrial Ownership.

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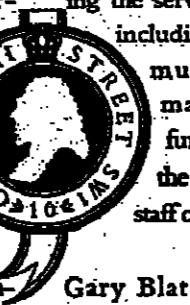
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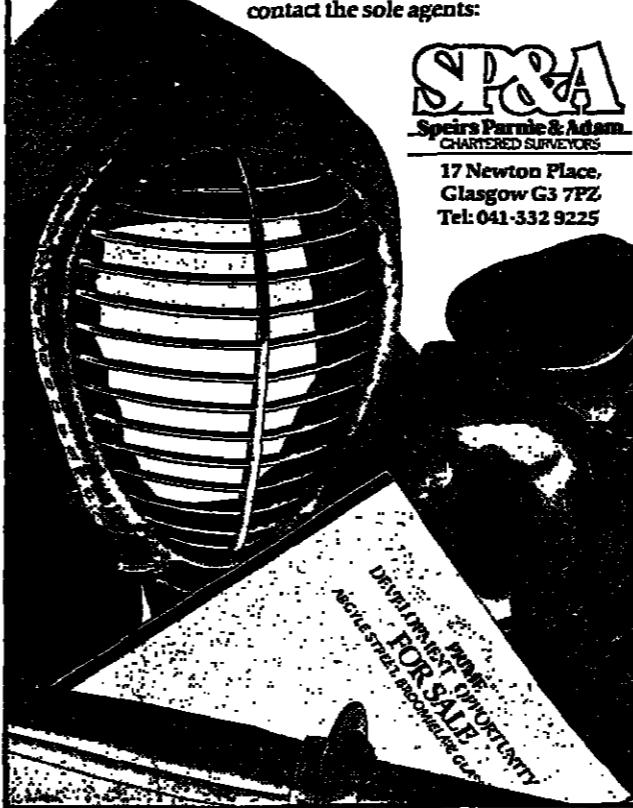
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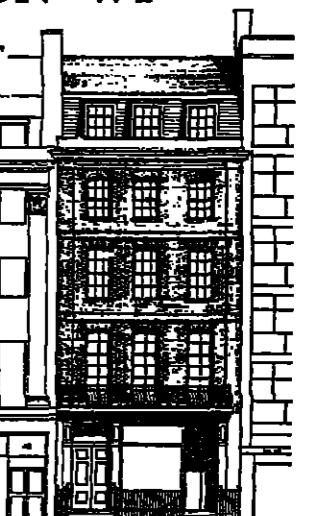
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Friday July 10 1987

The relevant debt questions

TWO APPARENTLY incompatible schools of thought seem to have emerged on the international debt crisis in recent months. One observes with relief that the apparent flare-up in the crisis early this year has subsided. Looking ahead, on moderately optimistic assumptions about world economic growth, it concludes that we should now be over the hump; the burden of debt service as a proportion of foreign currency earnings should now be on a downward trend.

This rosy view of what has been achieved by muddling through is not fully supported in the market; there is now a substantial secondary market in developing country debt, and the discounts quoted are for the most part higher than they were at this time last year.

All the same, central bankers can probably enjoy reasonably peaceful sleep, a combination of rescheduling and accumulated earnings has almost certainly made the purely banking crisis containable, except on the gloomiest assumptions.

However, this is not simply a banking crisis; it is an economic crisis involving many major developing countries and their trading partners, notably the US. In this respect the crisis is far from over, as the Group of 30's study group on alternative financing methods firmly states in its report,

Willing hands

It concludes: "In the light of the probable financing needs of the less developed countries over the next few years, the probable reductions in the levels of new money from the commercial banks and the practical limits on the amounts of new money that can be raised by all the alternative sources reviewed, it seems clear that a greater role for the official institutions will be essential."

This is certainly unambiguous, but might be dismissed as buck-passing by the commercial bankers who dominated the group. It is their detailed review of the alternatives available, their scope, methods and impact, which underlines the need for a new official initiative.

The market has been inventive in devising ways of passing debt into more willing hands, converting it into equity or purely internal obligations, and

US gives a lead on farm reform

THE US stole a march on its trading partners this week with its radical proposals to reform the General Agreement on Tariffs and Trade in Geneva for the reform of world agriculture.

Its plan for total elimination within 10 years of all export subsidies and import barriers to trade in farm products is far bolder than anyone expected. It has left the European Community in particular floundering in search of a response that is politically acceptable to its member states but does not appear churlish or mean-minded.

From a tactical perspective the US move was masterly, even if detailed examination of its proposals raises many difficult technical questions. It has ensured that the faster impetus for farm reform, which developed this year within the Organisation for Economic Co-operation and Development and was picked up by the Vienna summit, has now been diverted further into the heart of the current Gatt round of multilateral trade liberalisation discussions.

This can only be good. No one now disputes that the need for reform of world agriculture is urgent. Not only have present practices inflicted debilitating distortions on world markets, with massive surpluses generated by rich countries at the expense of weak producers. The cost of subsidies is also becoming prohibitive even for the industrial world. US taxpayers will spend \$25bn on farm support this year. Those in EC will spend \$25bn with a further \$34bn coming in the form of higher prices for consumers.

Political cost

The US believes that the high political cost of agricultural reform would be easier to meet if all sides undertook it simultaneously. It would be easier to dismantle its own support programmes if these were allied to the unwinding of the much-hated European Common Agricultural Policy. But the political and social sacrifice would be far greater in regions with heavily protected regimes, such as the European Community and Japan. They cannot afford to rush to endorse the US scheme without careful consideration of the details, nor are they likely to do so.

Besides, there is plenty of

in attracting new money—not former flight capital from the countries concerned. However, the total market for such swap conversions is put at only some \$8bn a year, very small in relation both to the existing debt burden, and to the development needs of the countries concerned.

The drawbacks do not end there. First, as might be expected, the swap markets are most effective in the debt of the strongest debtor economies following the normal rule about bankers and umbrellas. Second, it is far from clear that these mechanisms provide additional capital, rather than substituting for other sources; additionally, as the report stresses, is the acid test.

Powerful case

Further, there are problems associated with many of them. Thus, for example, the conversion of debt into domestic claims—mainly by encouraging holders of flight capital to switch into domestic indexed debts—is usually achieved by what amounts to an artificial exchange rate. Prices of debts of this kind are always open to abuse. Debt-equity swaps may undermine domestic monetary control, while debt-debt swaps between lenders usually bring no benefit to the borrower at all.

A future threat which is not much discussed in the report arises from the probable growth in the secondary market in discounted debt. Some borrowers have already established para-statal banks largely for the purpose of buying in such debt in the market; and in this way the countries perceived to have the worst economic management may secure the largest relief. This is substantial: market discounts are about 30 per cent on average, but more than 50 per cent in the worst cases.

There is a powerful case, then, for the official institutions to make some move back towards their role in the 1960s, when they provided some four-fifths of LDC funding twice as much as recently. They could link their contributions to proper incentives and conditions and finally, as the report observes, they could accelerate the small-like progress of private financing. What is required, as this valuable report emphasises, is that the prospects for success should be perceived to be improving.

In an election where economic issues eclipse all others, Mr Hawke is defending a 16-seat majority in the 148-seat House of Representatives. The result will be decided in less than a score of urban marginal seats, the most important in Melbourne, Perth and Brisbane. Also in contention is the composition of the Senate, or upper house, where a proportional representation system means Labor cannot fail to secure outright control.

The worst scenario for Labor is to govern with a majority too narrow to govern effectively and with little influence over a Senate in which minority parties hold the balance of power.

A convincing Labor victory would give the party a historic third term and help establish it as Australia's natural party of government. For Mr Hawke, a former trade union official who entered Parliament only seven years ago, it would be a remarkable achievement.

The campaign takes place against a gloomy economic background: Australians are continuing to live well beyond their means. The country's tax would fall to 42 per cent

THE AUSTRALIAN ELECTION

When the sales pitch moves to the right

By Chris Sherwell in Sydney

A USTRALIA GOES to the polls tomorrow, but for which it enjoys lively political combat and inspires passionate party allegiances the atmosphere has been strangely subdued.

Politics being a national bloodsport, people are keen to know the outcome of a contest which pitches Mr Bob Hawke, the super-confident incumbent Prime Minister against a tenacious and articulate challenger, Mr John Howard. But Australians are also weary of the six-week winter campaign

which has condemned the other's programmes as irresponsible. But neither has dared spell out the pain Australia's 16m people must suffer to pull them out of trouble.

Labor's record is mixed: its approach while consensus-based, is confrontational, sceptical about the extravagance of their promises and worried about their rich but indebted nation's future at the onset of its third century.

When they cast their votes under the country's unusual compulsory system, they face an awkward choice. On the one hand is Mr Hawke's highly pragmatic Labor Government, which has unexpectedly imposed austerity after equally unexpected stretching the conservative fiscal ground.

On the other is the opposition Liberal Party, led by the less charismatic Mr Howard. His alliance with its erstwhile coalition partner, the rural-based National Party, is offering a radical right-wing programme of tax cuts, slashed government spending, asset sales and curbed union power, all in the name of incentive.

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gross external debt is \$4105bn (\$46.5bn) and rising; its current account deficit, at more than \$3130m (25.8bn), is unsatisfactory again.

The budget should have helped the two opposition parties. But Labor stole their economic clothes and worked hard on its marginal constituencies, as endless leadership wrangles left its opponents unable to capitalise on its vulnerability. Only since the election was called have they managed to narrow the gap.

Each side has condemned the other's programmes as irresponsible. But neither has dared

spell out the pain Australia's 16m people must suffer to pull them out of trouble.

Labor's record is mixed: its approach while consensus-based, is confrontational, sceptical about the extravagance of their promises and worried about their rich but indebted nation's future at the onset of its third century.

When they cast their votes under the country's unusual compulsory system, they face an awkward choice. On the one hand is Mr Hawke's highly pragmatic Labor Government, which has unexpectedly imposed austerity after equally unexpected stretching the conservative fiscal ground.

On the other is the opposition Liberal Party, led by the less charismatic Mr Howard. His alliance with its erstwhile coalition partner, the rural-based National Party, is offering a radical right-wing programme of tax cuts, slashed government spending, asset sales and curbed union power, all in the name of incentive.

In an election where economic issues eclipse all others, Mr Hawke is defending a 16-seat majority in the 148-seat House of Representatives. The result will be decided in less than a score of urban marginal seats, the most important in Melbourne, Perth and Brisbane. Also in contention is the composition of the Senate, or upper house, where a proportional representation system means Labor cannot fail to secure outright control.

The worst scenario for Labor is to govern with a majority too narrow to govern effectively and with little influence over a Senate in which minority parties hold the balance of power.

A convincing Labor victory would give the party a historic third term and help establish it as Australia's natural party of government. For Mr Hawke, a former trade union official who entered Parliament only seven years ago, it would be a remarkable achievement.

The campaign takes place against a gloomy economic background: Australians are continuing to live well beyond their means. The country's tax would fall to 42 per cent

gross external debt is \$4105bn (\$46.5bn) and rising; its current account deficit, at more than \$3130m (25.8bn), is unsatisfactory again.

The budget should have helped the two opposition parties. But Labor stole their economic clothes and worked hard on its marginal constituencies, as endless leadership wrangles left its opponents unable to capitalise on its vulnerability. Only since the election was called have they managed to narrow the gap.

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Mr Hawke: conveniently, trends on the economic front are helping his campaign

could keep in line some of the tough figures on his side of politics. One of these is 76-year-old Sir Joh, who is pressing as determinedly as ever for a 25 per cent income tax rate.

Another is the robust Mr Ian Sinclair, 59, a survivor with an uncanny ability to avoid questions. His position as federal leader of the National Party has come under relentless attack from Sir Joh.

In Mr Howard's own party and heading the so-called "wets" is the smooth Mr Andrew Peacock, 48, a former Foreign Minister. He followed Mr Malcolm Fraser as Liberal

one is sure who would succeed the Treasurer, or anyone else, in the event of a Liberal

counter-attack. It has floated that it has floated the currency, deregulated the financial markets and relaxed controls on foreign investment. Less successfully, it has encouraged industrial restructuring and sought to rationalise industrial relations law for the first time in decades.

But none of this has stopped Mr Howard scoring points. Mr Hawke has looked exposed by the sheer boldness of Mr Howard's proposed spending cuts and the opposition leader's positive talk of employee share ownership and by embarrassing allegation of broken promises since Mr Hawke became Prime Minister in 1983.

Generally, though, Mr Hawke has been in the driving seat. Labor has had the better organised campaign, while Mr Hawke has promised no further cuts, no new taxes and no tax increases in the budget due in September.

Conveniently far off are the painful consequences of Labor's spending cuts in May, curbing the state governments. Mr Hawke has meanwhile promised no further cuts, no new taxes and no tax increases in the budget due in September.

He has even been able to promote his image as a statesman. He took full advantage of the visit to Australia last month by Mr George Shultz and Mr Caspar Weinberger, key members of the Reagan Cabinet. He has based his bid for victory on a determined rightward shift to the middle ground. Failure would provoke the resentment of traditional supporters and almost certainly precipitate a leadership struggle.

A Liberal win, on the other hand, would be achieved on one of the most radical programmes to be put before an Australian electorate. It would have far-reaching, even unpredictable, consequences. But Australians would not be able to say they were not warned.



Mr Hawke has been in the driving seat. He looks confident—even complacent

leader, but surprised everyone first by ceding the position to Mr Howard in 1985 and then to him again in 1987.

Labor says Mr Howard, with his disappointing record as treasurer under Mr Fraser and his relatively unknown colleagues, would not be able to deal with the unions or manage change. It points to its own experienced team of economics ministers.

Mr Howard, after the internal squabbling, has refused to name any members of his team. But the result is that no

Perhaps the best example of Lord Harlech's iconic black sense of humour was recalled by Lord Harrington, who remembered that when they were at Eton, the boys were summoned after an attempted suicide. "Can anyone give any reason?" asked the appalled housemaster. Silence, until the 13-year-old David Ormsby Gore piped up: "Could it have been the food, sir?"

Household words

A colleague shared a London taxi with two other men. One was a lecturer in politics and the other a builder who began an argument over the merits of local authority and private home ownership.

The lecturer came down strongly in favour of council housing and the builder in favour of the private sector. The argument continued for some time before the taxi driver intervened. He pointed out that he could see both points of view—after all, he had a council house in Islington and one of his own in Bexhill. End of argument.

Organising the event jointly were Lord Harlech Television, of which Lord Harlech was founder chairman, and the British American Arts Association, which promotes closer transatlantic cultural contacts.

Lord Harlech's catholic tastes in the arts were summed up by George McWatters, chairman of HTV. "He was as much at home at a pop festival as at Covent Garden," he said.

HTV, which covers Wales and part of the west of England, is giving £14,000 over the next four years to commemorate Lord Harlech's name with the bursary, which will cover a different area of the arts in the HTV region each year.

The first winner, from Lord Harlech's favourite world of jazz, is Dylan Fowler, a composer and guitarist from Cardiff. Next year the award will go to the film industry.

Significant Moments

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To highlight its achievements Labor has pointed to responsible monetary and fiscal policies, a

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Friday July 10 1987

Marcos 'planned coup to kidnap Aquino'

BY RICHARD GOURLAY IN MANILA

THE PHILIPPINE Government yesterday produced taped conversations showing that former President Ferdinand Marcos planned to buy around \$200m of arms to stage a coup and take his successor, Mrs Corazon Aquino, as a hostage.

On Wednesday, US officials confirmed the existence of the tapes between Mr Marcos and a lawyer who was supposed to finance the arms sale.

Mr Marcos has lived in Hawaii since he was removed from power in a civilian-backed military revolt in February 1986. Philippine government officials played parts of the tapes to demonstrate their authenticity. They referred to an

invasion force of 10,000 soldiers.

Official reaction in Manila has been muted with President Aquino simply threatening the US Government for its actions.

The former president has been barred from leaving the US while Washington has conveyed his "concern" over his plans to destabilise the Aquino government and return uninvited to the Philippines.

Most analysts dismiss the coup plot as a flight of fancy by the former dictator and his wife. In Manila, American investors and relatives with Manila would be so badly damaged should the Marcoses return to

the Philippines uninvited that they would probably be physically restrained from leaving Hawaii.

Mr Aquino has made clear in the past that Mr Marcos is not welcome in the Philippines yet, as his presence would lead to political instability. As a result the Government has been unable to file any criminal charges, as opposed to civil ones, against the former president for alleged theft of national wealth during his 20-year rule, because he was not available to return to face the charges.

Rumours have circulated in Manila among loyalist and

some military circles that Mr Marcos would return later this month to lead a coup, but these have been widely dismissed. Most analysts believe that even if a force of armed loyalists could land in the Philippines - and no-one can think what these soldiers, whoever they are, would use as a staging point for a landing - they would still not constitute a serious threat to the Aquino government at the moment.

There have been more pointed by the timing of the State Department's exposure of the tapes, which they have had for five weeks, than by what many think was Marcos's ludicrous attempt to lead a coup.



Kurt Waldheim - questions over his war record re-opened old wounds many Austrians had preferred to forget

Austrians stirred by painful memories

By Judy Dempsey in Vienna

FEW OUTSIDERS could have begun to understand what was taking place at Stephanplatz, the heart of Vienna where people gathered, first out of curiosity, then to listen and to argue.

The exchanges were sometimes bitter, extreme and emotional. "Auschwitz did not exist, it is all propaganda," a middle-aged man shouted at a young student. "We must learn to remember, not to suppress our past," a young woman pleaded. Only doing his duty, an old woman demanded of a bewildered crowd.

In a speech last weekend reflecting his leader's views, Mr Kinnock's leadership has been a desire to move away from previous sectarian battles - to turn the party outwards and to win support among the haves as well as the have-nots.

By contrast with the hard-left, the group believes it is not enough to rely on a broad-based coalition of ethnic and other minority groups in Britain's inner cities or on declining industrial areas in English regions in Scotland or in Wales.

They have argued that Labour must appeal to the richer parts of Britain - previous party supporters in the south who have prospered under Mrs Thatcher's policy of allowing tenants in local government houses to buy their homes and the public

own shares in state corporations which have since been privatised.

In a speech last weekend reflecting his leader's views, Mr Kinnock said that policies were needed that appealed to outsiders, and did not just command the loyalty of internal committees and experts and which could not be sold to the electorate.

Labour's third successive election defeat has stimulated a lively debate among this centre/left group of Kinnock loyalists. For the present, they are united in rejecting any talk of electoral pacts with the "Third Force" Liberal and Social Democratic Alliance.

Like Mr Gould, the younger new entrants epitomise the new face which Mr Kinnock has been eager to portray - moderate, rational, non-ideological and above all concerned with winning power. They all regard the divisions of the 1979-81 period, when Mr Tony Wedgwood-Benn, the outspoken left-winger was at the height of his influence as a nightmare never to be repeated.

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SECTION II - COMPANIES AND MARKETS

FINANCIAL TIMES

Friday July 10 1987


Erith plc
BUILDERS MERCHANTS

Benetton unveils move into financial services

BY ALAN FRIEDMAN IN MILAN

BENETTON, the Italian clothing group, has unveiled details of its plan to diversify into financial services and merchant banking.

The casual clothing producer, which last year had £540m of lending and factoring business as well as more than £1,000m (\$752m) of turnover from 4,000 shops in 37 countries, recently recruited Mr Giovanni Franzini, a former investment banking officer at Merrill Lynch in London, to become managing director of In-holding, its newly formed financial services company.

The Milan-based In-holding is fully owned by the Benetton family's Edizioni SpA vehicle and will be capitalised at £100m (\$75.2m) by year-end.

The 44-year old Mr Franzini, best known in the Euromarket for having organised the jumbo Silba

Republic of Italy floating rate note in 1985, is charged with putting together a financial services group which aims to achieve within the next couple of years business equal in size to the clothing side of Benetton.

At In-holding Mr Franzini will preside over subsidiaries involved in mutual funds; personalised portfolio management; insurance products (Benetton owns 37 per cent of the Italian associate of Britain's Prudential); securities underwriting; currency and interest rate swaps (In-holding has hired swap specialists from Citibank); the flow of outward investment from Italy (which takes advantage of recently relaxed rules on foreign investment) and corporate finance in general.

Mr Franzini has already negotiated a partnership between In-holding and Merrill Lynch in venture capital, a sector which is still relatively

new in Italy. He is expected to develop a merchant banking business in conjunction with three Italian regional banks (including Credito Italiano) in which Benetton owns minority shareholdings.

In addition, In-holding will build a retail distribution network in Italy for its financial products. This subsidiary, which hopes to have 100 agents in place by year-end (and 300 next year), is called in Capital Investments.

Benetton, which expects clothing revenues of £1,000m this year, was quoted on the Milan bourse last year and is hoping to secure a listing on Wall Street soon. The diversification into financial services was originally the idea of Mr Aldo Palmeri and Mr Carlo Giardi, two ex-Benetton Italy officials who are, respectively, Benetton group managing director and finance director.

Olivetti PC for overseas markets

BY OUR MILAN CORRESPONDENT

OLIVETTI, the Italian office automation group, has announced details of a new company which will manufacture and distribute home computers outside Italy.

The new company, with an initial capital of £100m (\$7.5m) is called Prodtest International. It will be based at Ivrea in Piedmont, while its factory will be at Pozzuoli, near Naples.

Mr Giorgio Fiorenza, managing director of Prodtest, says from Milan that the company plans to compete on the international market with low-cost home computers to be sold mainly by retailers.

Mr Fiorenza recently unveiled the PC-L which he said was the first Italian-built MS-DOS compatible home computer. It will sell for around \$100.

Stefanel bourse issue to raise £140bn

BY OUR MILAN CORRESPONDENT

STEFANEL, the Italian casual clothes producer, is planning to raise £140m (£105m) with a debut share issue on the Milan bourse.

More than a third of the flotation of 25 per cent of Stefanel's total equity will be placed internationally in a deal being lead-managed by Swiss Bank Corporation (SBC) in London.

The operation, scheduled for September, will see SBC targeting 6m of the 16m shares on offer to investors in the UK, France, West Germany, and Switzerland.

In Italy, the domestic tranche will be handled by Mediobanca, the Milan merchant bank.

The price of the Stefanel shares

will be between £8,100 and £8,500, depending on market conditions. In recent weeks the Milan bourse has been extremely weak and with continuing political uncertainty in Rome, there are few prospects of an immediate upturn.

The Stefanel share issue would capitalise the Trevizo-based company at £560m, around half the market value of Benetton.

Stefanel, which is planning to expand its network of around 550 franchised outlets in Italy and 150 abroad, is forecasting a 1987 group net profit of around £36m on sales of £220m. Last year the group made a £27.5m net profit on consolidated group turnover of £172.5m.

Montedison has argued that the investigation is "unfounded".

Fondiaria boosts profits by 58%

BY OUR MILAN CORRESPONDENT

LA FONDIARIA, the Florence-based insurance company which is controlled by the Montedison Chemicals concern, yesterday unveiled a 58 per cent jump in its consolidated net profit for 1986 to £9.5m (£7.5m).

The profit was struck on consolidated premiums of £17.75m (£13.5m) up 14.5 per cent on the previous year. This makes Fondiaria Italy's fourth biggest insurer. Total premiums net of reinsurance rose 21.5 per cent last year, to £15.75m.

Montedison's acquisition of effective control of La Fondiaria last year shocked the old-guard Italian business establishment because Mr Mario Schimberni, Montedison chairman, bought a crucial share packet without asking "permission" from Mediobanca, a minority shareholder in Fondiaria.

Mr Gianni Agnelli, chairman of Fiat and the leader of the old-guard of Italian capitalism, was furious at Mr Schimberni and pronounced the acquisition "dastardly".

Last week a Milan magistrate informed Mr Schimberni and three other board members of Metà, the Montedison subsidiary which controls Fondiaria, that they are being investigated for alleged breaches of Italian exchange control regulations.

The enquiries are focused on the purchase of a 12.5 per cent equity stake in Fondiaria, which is said to have been bought initially by Swiss and other foreign banks and then passed to a Milan stockbroker who sold it to Metà.

Klöckner's capital will be restored by a rights issue.

Wolters Samsom offer for Kluwer disappoints

BY LAURA RAUN IN AMSTERDAM

DUTCH PUBLISHER Wolters Samsom yesterday unveiled its friendly takeover bid for Kluwer, its bigger rival, but only just lived up to its promise of topping a competing offer from publisher Elsevier.

Wolters Samsom is offering two of its common shares plus one newly-issued convertible preferred share and F1 50 (S24) in cash for one Kluwer share - a bid that exceeded Kluwer's closing price of F1 422 by F1 3 a share.

Elsevier's hostile bid, meanwhile, moved closely in tandem with Kluwer and ended the day at F1 423 a share, or only F1 2 behind Wolters Samsom's offer.

Kluwer, the third largest Dutch publisher, is now valued at more than F1 1bn exclusive of preferred stock.

Wolters Samsom, Kluwer's white knight and the fourth biggest publisher, had promised last week to sweeten its initial offer so as to better

Elsevier's unfriendly bid but was facing growing scepticism over a merger.

Many investors have doubts about whether Wolters Samsom can afford Kluwer now that it has soared in value amid the vicious takeover battle.

Wolters Samsom added F1 50 a share and substituted one cumulative preferred-dividend share, convertible into one ordinary share, for a common share in the original offer (of three ordinary shares) in an effort to avoid earnings dilution.

Earnings will be reckoned on common and not convertible preferred stock so that per share earnings will not be affected until conversion.

Investors will be discouraged from converting "in the first few years" by a dividend that is more than double the one for ordinary shares and the two companies remain committed to fending off Elsevier.

Austria to privatise electricity industry

BY OUR FINANCIAL STAFF

AUSTRIA plans to raise Sch 8bn (£620m) through a privatisation of the country's electricity industry.

Mr Robert Graf, the Economics Minister, said the plan involved selling up to 49 per cent of Oesterreichische Elektroindustrie, the national distribution company known as the Verbund, as well as 49 per cent of Austria's eight major power production groups.

The divestment is part of government plans to raise funds through sales of minority stakes in companies and banks, including Creditanstalt, the leading local bank.

Under the two-part plan, Verbund would buy the state's stakes in the eight electricity producers for Sch 6bn by November this year.

Verbund would then sell shares to investors over the next five years, but it would keep 51 per cent holdings in line with Austria's privatisation law passed by parliament last week. Under the plan, 49 per cent of the Verbund itself would be sold, raising a further Sch 2bn.

One third of Verbund's shares would be offered on preferential terms to Austria's provincial power companies. Remaining shares would be available to private investors.

Hero stake in pasta makers

HERO CONSERVEN Lenzburg, the Swiss confectionary group, has acquired a majority stake in pasta manufacturers Robert Erhart of Krauthausen and Gebrüder Wellenreuter of Winterthur.

Hero said the two companies and a third, Adolf Montag of Istein, which they jointly acquired last year, had a combined annual turnover of about SFr 40m (£26m) and employed 216 people.

All of these securities having been sold, this announcement appears as a matter of record only.

New Issue / June, 1987

4,000,000 Shares

Newmont Mining Corporation

Common Stock

(\$1.60 par value)

Salomon Brothers Inc.

Kidder, Peabody & Co.
Incorporated

Lazard Frères & Co.

This announcement appears as a matter of record only.

GM GROUP FINANCE LIMITED

Guaranteed by

GUINNESS PEAT GROUP plc

US\$150,000,000

COMMITTED

MULTI-CURRENCY CASH ADVANCE FACILITY

Arranged by

BARCLAYS de ZOETE WEDD LIMITED & GUINNESS MAHON & CO LIMITED

Underwriters

Amsterdam-Rotterdam Bank N.V.

Arab Banking Corporation (B.S.C.)

Australia & New Zealand Banking Group Limited

Banque Nationale de Paris p.l.c.

Barclays Bank PLC

Gulf International Bank, BSC

Kansallis Banking Group

The Kyowa Bank, Ltd

Lloyds Bank PLC

Manufacturers Hanover Trust Company

National Westminster Bank PLC

The Royal Bank of Scotland plc

Société Générale

The Taiyo Kobe Bank, Limited

The Tokai Bank, Limited

Union Bank of Switzerland

London Branch

Tender Panel Members

Australia & New Zealand Banking Group Limited

Barclays Bank PLC

Banque Nationale de Paris p.l.c.

Banque Paribas (London)

The Fuji Bank, Limited

Barclays de Zoete Wedd Limited

Gulf International Bank, BSC

Guinness Mahon & Co Limited

Kansallis Banking Group

Istituto Bancario San Paolo di Torino

The Kyowa Bank, Ltd

Kreditbank N.V.

National Westminster Bank PLC

Lloyds Bank PLC

The Saitama Bank, Ltd

The Royal Bank of Scotland plc

Société Générale

The Sumitomo Bank, Limited

The Taiyo Kobe Bank, Limited

The Tokai Bank, Limited

Agent



BARCLAYS de ZOETE WEDD

L I M I T E D

All these securities having been sold, this announcement appears as a matter of record only.

ROYAL TRUST

Royal Trustco Limited
(Incorporated with limited liability in Canada)

Issue of

**¥12,000,000,000
Reverse Dual-Currency Debentures due 1992**

Issue Price 100 per cent.

—

Yamaichi International (Europe) Limited Banque Paribas Capital Markets Limited

Taiheiyo Europe Limited

30th June, 1987

All these securities having been sold, this announcement appears as a matter of record only.

ROYAL TRUST

Royal Trustco Limited
(Incorporated with limited liability in Canada)

Issue of

**¥7,000,000,000
Step-Up Debentures due 1992**

Issue Price 101½ per cent.

—

Yamaichi International (Europe) Limited Yasuda Trust Europe Limited

6th July, 1987

This announcement appears as a matter of record only.

New Issue

State Bank ▼ Victoria

The Commissioners of the State Bank of Victoria
(a corporation constituted under the State Bank Act 1958 of the State of Victoria, Australia)

¥30,000,000,000

4¾ per cent. Guaranteed Notes due 1992

Repayment of principal and interest guaranteed
pursuant to the State Bank Act 1958 by

The Treasurer of the State of Victoria

Issue Price 101¾ per cent.

Yamaichi International (Europe) Limited

Bank of Tokyo Capital Markets Limited Chemical Bank International Limited

Daiwa Europe Limited DKB International Limited

Fuji International Finance Limited Manufacturers Hanover Limited

Merrill Lynch Capital Markets Mitsubishi Finance International Limited

Mitsubishi Trust International Limited Mitsui Trust International Limited

Morgan Stanley International The Nikko Securities Co., (Europe) Ltd.

Nomura International Limited Salomon Brothers International Limited

Takagin International Bank (Europe) S.A. S.G. Warburg Securities

Yasuda Trust Europe Limited

7th July, 1987

This announcement appears as a matter of record only.

New Issue

'OSTERREICHISCHE LÄNDERBANK = AKTIENGESELLSCHAFT
(incorporated with limited liability in the Republic of Austria)

Japanese Yen 5,000,000,000

7½ per cent. Notes Due 1992

Issue Price 101¾ per cent.

Yamaichi International (Europe) Limited

Saitama Bank (Europe) S.A. Takagin International Bank (Europe) S.A.

9th July, 1987

YAMAICHI INTERNATIONAL (EUROPE) LIMITED

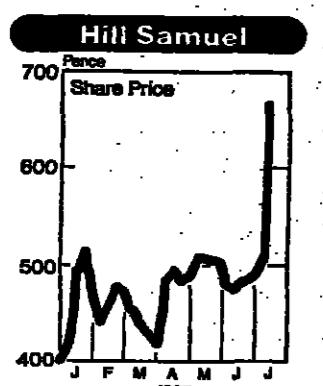
THE UBS/HILL SAMUEL DEAL

Accepting houses forced to think again

If UBS-Hill Samuel deal goes through it would be the second large foreign banking acquisition this week following Midland's disposal of its Irish and Scottish subsidiaries to National Australia Bank.

The deals come just as the UK is bringing into effect the new Banking Act which requires formal Bank of England approval for foreign acquisitions, based on the "fair competition" test. Neither deal is expected to encounter major problems because the buyers are both highly respected banks. The Bank would not comment yesterday except to say that it was being kept informed.

The Hill Samuel deal, however, will hasten a review of membership policy by the



Accepting Houses Committee, the exclusive merchant banking trade group to which Hill Samuel belongs.

The AHC's rules require members to be independent and British. However, these have already been bent to allow two accepting houses to remain members even though they are owned by clearing banks. They are Samuel Montagu (owned by Midland Bank) and Charterhouse (Royal Bank of Scotland).

Mr Robin Hutton, the AHC secretary, said yesterday that a review of the rules had started. This would now be broadened to consider any cases where accepting houses become foreign-owned.

"Some of our rules are inappropriate. This is a recognition of the reality of life," he said. He noted that the majority of AHC members' business was no longer in London or even in sterling.

Although membership of the AHC carries some prestige and an implied close link to the Bank of England, it has ceased to have any practical importance. Because of this, the AHC has become keener to retain its members rather than ask them to leave, as it did when Anthony Gibb was bought by the Hongkong and Shanghai Bank in 1986.

D. L.

SPECULATION ABOUT a change of ownership has swirled around Hill Samuel for so long that the announcement of a serious bid approach came as no surprise yesterday. The unexpected part was the identity of the would-be purchaser, Union Bank of Switzerland, whose name now joins a list which at times included Merrill Lynch, numerous antipodeans, and even, many years ago, Mr Jim Slater.

Hill Samuel's vulnerability has little to do with its weakness in its performance; under its youthful chief executive, Mr Christopher Castlemann, it has rebounded strongly from near oblivion in the 1970s with profits rising sixfold in that time. But unlike many other merchant bankers, its ownership is widely dispersed; there are no big family- or institutional-shareholdings.

For outsiders wanting to get a stake in the booming City market, or for those wanting a good punt, Hill Samuel was an obvious choice.

At City merchant banks go, Hill Samuel is one of the most diverse. Although it has a prestigious name, it is top of the second league rather than a first

ranker, and it almost makes a point of being unglamorous. Its headquarters in Wood Street have the workaday look of a government department with noisy lifts and long corridors, and it does not cultivate "stars" like some rival houses.

The core of the group is Hill Samuel and Co., the accepting house which has a thriving banking, corporate finance and securities business. This is closely linked to Wood Mackenzie, the stockbroking arm which Hill Samuel bought for last year's Big Bang, and for which new accommodation had to be built in an open space at the back.

Grouped round this core is — for a merchant bank — an unusually large range of activities which include insurance broking, employee benefits, shipping services and investment management services. Some of these might well be ripe for self-off by a new owner to realise some cash and give the group sharper focus on the financial markets.

Altogether the group employs 8,400 people; profits last year were £42.9m (£86.4m). This was an increase of only 5 per cent on the year before, but Mr

Castlemann blamed the modest rise on the high cost of preparing for the Big Bang.

Mr Castlemann was only 33 when he became chief executive in 1980 with a reputation as a thorough organizer with a passion for hard work, numbers

and good controls. He was famous for attending briefings with thick ledgers bulging with figures and management reports.

But critics said that his obsession with the mechanics of the business prevented him from developing any great strategic vision for Hill Samuel.

While the group became more efficient and profitable, and made a good acquisition in Wood Mackenzie, it never achieved the brilliance of some of its rivals, or conveyed a sense that a master plan was

smoothly must be small.

It is also clear from the discussions UBS has had with Hill Samuel's board that if the deal

goes through, the Swiss will use London as a substantial base for their worldwide securities, investment banking and investment management business. The message is that UBS would view the purchase as the start of a

phase of expansion rather than rationalisation.

The deal will give Hill Samuel access to UBS' investor base on the Continent, as well as to its growing investment banking businesses in New York and Tokyo, both places where Hill Samuel could never hope to get established on its own.

Although UBS has not yet promised any great new injections of capital, such a boost may be needed for Hill Samuel, which has disclosed financial resources totalling \$335m, about half that of leading merchant banking groups. Although these grander prospects should also attract better clients and, presumably, top quality staff, "The combined group will be able to attract more than the parts can by themselves," said Sir Robert.

Nevertheless, Mr Castlemann's dramatic resignation points to the dangers of such an alliance. Although UBS will undoubtedly give solid pledges about Hill Samuel's continued independence (it has said it wants to keep the name alive), the bank will also institute strong controls which could stifle the spirit in Wood Street. It is true that UBS's alliance with Phillips & Drew appears to be working,

and that bodes well for Hill Samuel.

But acquisitions of service companies often encounter personality and control problems. And it already appears that Hill Samuel would cease to operate as a group, and each of its activities, notably banking and securities, would report through to different offices back in Zurich.

The deal is far from clinched, of course. UBS still wants to learn more about the non-banking side of Hill Samuel before making up its mind on a price. And more talent could decide to follow Mr Castlemann's departing footsteps. The possibility of some counteroffer exists, though this is unlikely to come from the group of Australians which owns 27 per cent of the shares.

These are FAI, the motor insurance group controlled by Mr Larry Adler with 14 per cent, Mr Kerry Pocke's Consolidated Press with 12 per cent, and one small shareholding of 1 per cent. These stakes are generally believed to be speculative rather than strategic, and should yield a good price.

David Lascelles

Ambition to play lead role



Robert Studer: vigorous campaigner

UNION BANK of Switzerland (UBS) is the youngest, biggest and — in recent years — the most aggressive of the big five Swiss banks.

Sometimes known as "the colonel's bank" because of the large number of high-ranking officers from Switzerland's militia army in its top management, it has, over the past seven years, expanded abroad with staff-college precision.

Mr Nikolaus Senn, chief executive, has voiced his determination that UBS should take its place among the leading players in the emerging global market for financial services.

Mr Robert Studer, 49, who will take over as chief next year, made it clear when his appointment was announced that the campaign would be vigorously continued. UBS was "only waiting to pick up brokerage houses" expected to go under in the cut-throat competition following London's Big Bang. Mr Studer remarked confidently at the end of last year.

Put in charge of UBS's finance division at the age of 42, Mr Studer was responsible for planning and executing the bank's acquisition of Phillips & Drew, the London broking house, in 1985.

A "universal" bank that offers a full range of commercial and investment banking services including a large portfolio management operation, UBS has concentrated its foreign expansion on the wholesale side, going for capital market and securities business.

London was its first target, but it has also entrenched itself in New York and Tokyo, after the West Germans had opened the way for foreigners to join in capital market operations and, more recently, established an investment banking business in Australia. UBS Securities, set up in London,

don in the 1970s, has become one of the biggest houses underwriting Eurobonds and other internationally offered securities. A new office building is under construction to house it and Phillips & Drew.

New ventures are also going up in New York, where UBS Securities Inc is a member of the New York, American and Boston stock exchanges and expects substantial growth in securities trading. Its foreign exchange operations are being expanded and it has already become a significant issuing house for US companies on the capital market.

In Tokyo UBS has used Phillips & Drew to obtain a licence for most forms of securities business. It pressed the Swiss federal authorities strongly to insist that Japan had to start reciprocating for the increasing amount of business done in Zurich and Geneva by Japanese banks and securities houses.

William Dullforce

INTL. COMPANIES and FINANCE

Shake-up and \$350m charge at US Sprint

BY JAMES BUCHAN IN NEW YORK

US SPRINT, the joint venture between GTE and United Telecommunications, battling to break into the US long-distance telephone market, is shaking up its senior management amid evidence of chaos in its procedures for billing customers.

Mr Charles Skiba is resigning as president. He has led the \$2.6bn venture over the year since GTE and United Telecom decided to pool their operations in the fiercely competitive long-distance market.

He is to be replaced by Mr Robert Snedaker, former vice-chairman of United Telecom.

D. L.

Second-quarter rise at Raytheon

BY WILLIAM HALL IN NEW YORK

RAYTHEON, the New England conglomerate, continues to prosper from its heavy involvement in the US defence industry, and yesterday reported net earnings of \$92.2 million for the year to March 31. Profit was \$25.5m, down from \$32.4m previously.

Sales fell 17.3 per cent to \$351.81bn from \$425.22bn. Earnings per share slid to \$0.62 from \$1.73.

Sumitomo Metal attributed the setback to the effect of the high year which curtailed orders from major clients in the export-led electrical and computer manufacturing sector. Also currency factors depressed prices.

The company predicted that in the current fiscal year sales will decline to \$332.00bn, while net earnings will total \$3.00bn.

the first six months of 1987 the group earned \$312.6m, or \$2.87 per share, compared with \$182.1m, or \$2.47 per share in the same period of last year.

Raytheon's increased sales in electronics, major appliances and other lines were partially offset by lower sales in aircraft products and energy services, two areas where the group has been trying to diversify to reduce its dependence on the US defence business which accounts for an estimated 90 per cent of the group's earnings.

Raytheon's defence electronic systems and its Amana refrigerator business accounted for much of the sales growth, but Beech Aircraft sales reflected continued weakness in the general aviation market.

The total order backlog at

the end of the second quarter was \$2.26bn which included \$68m of funded US Government work. The total backlog of orders is unchanged from a year ago.

Raytheon stock purchase programme continues and the company bought 1.3m shares in the latest quarter. Since the programme began in December 1984 Raytheon has repurchased 12.9m shares out of the 13m authorised by the board of directors. Average shares outstanding in the second quarter were 73.8m compared with 77.9m in the second quarter of last year.

The group's total employment stood at 76,000 at the end of the second quarter compared with 73,300 a year ago. Raytheon shares rose by \$4 to \$77.4m in early trading yesterday.



Christopher Castlemann: dramatic resignation

goes through, the Swiss will use London as a substantial base for their worldwide securities, investment banking and investment management business. The message is that UBS would view the purchase as the start of a

THE PROPOSED merger of Phillips & Drew and Wood Mackenzie, the two stockbrokers and securities subsidiaries of Hill Samuel and the Union Bank of Switzerland, would create by far the largest merchant bank in the London Stock Exchange.

The outcome of the merger should also provide some answers to the key strategic questions that have been occupying securities firms during and since the Big Bang deregulation of last year: Are there further advantages to be exploited by forming bigger securities firms, to match the US and Japanese giants, or smaller firms, which have not attempted to cover both stockbroking and market-making in all sections of the market?

The UK precedents in favour of the bigger-is-better argument are not encouraging. Two other mergers of Serangoon Kemp Gee with Vickers da Costa under the ownership of the US bank, Citicorp, and Simon and Coates with Laurie Millbank under the

Chase Manhattan umbrella, led to large-scale departures of staff and simmering internal tensions, although in recent months these have receded.

Between 1983 and 1986, the conventional wisdom was that large firms had to develop dual capacity in broking and market-making with the backing of a large bank. However, two of the three leading firms have followed more limited aims. James Capel and Smith New Court have done outstandingly well.

One argument that has often been applied against proposals to merge large broking firms is that institutional investors do not like to place a high proportion of their commission business with a single stockbroker. Phillips & Drew and Wood Mackenzie combined may thus lose some of the 10 to 11 per cent share of all UK equity issues that in recent months they have been able to generate as separate entities.

However, the counter arguments were presented to the

Hill Samuel board shortly before it was approached by UBS in a paper which was strongly influenced by Mr John Chiene, the former senior partner of Wood Mackenzie, who was one of the most enthusiastic proponents of the merger.

To provide a comprehensive investment and corporate financial service both to institutional investors and to industrial companies, the argument goes, securities firms need to call on large amounts of capital and a wide range of expertise. Ideally

a firm should have analysts covering the whole range of industrial sectors, in the UK and overseas.

It should also have the capital backing to allow it to take on large tranches of equities and major underwriting commitments. Ironically, one of the teams of banking analysts which commented favourably on Hill Samuel's high level of capital backing in recent weeks was that of Phillips & Drew.

With the backing of UBS, Phillips & Drew has gone for a "water-front" approach, seeking to cover almost all the UK

industrial sectors. It also built up a large market-making team which makes markets in about 400 stocks, and for many years has had one of the largest pension fund management operations in the UK with more than \$6bn (£8.9bn) under management.

Its directors wished to speed up its growth by buying a merchant bank and this was one of the factors which led to the approach to Hill Samuel by UBS.

By contrast, Wood Mackenzie has been "cherry-picking" a limited number of industrial sectors, in which its analysts have generally won high ratings. It has a particularly strong contingent of actuaries and mathematicians. Its market-making activities have been small and generally used to support its banking.

About 80 per cent of revenue comes from commissions. It has only a small presence in the gilts market, while Phillips & Drew has become one of the three largest players.

Clive Wolman

These securities have been sold outside the United States of America and Japan. This announcement appears as a matter of record only.

NEW ISSUE



PASCO CORPORATION

(Kabushiki Kaisha Pasco)

(Incorporated with limited liability under the laws of Japan)

U.S.\$85,000,000

1% per cent. Guaranteed Notes due 1992

unconditionally and irrevocably guaranteed as to payment of principal and interest by

The Mitsubishi Bank, Limited

with

Warrants

to subscribe for shares of Common Stock of

PASCO CORPORATION

Issue Price 100 per cent.

Nomura International Limited

Mitsubishi Finance International Limited

Banque Paribas Capital Markets Limited

DKB International Limited

Kleinwort Benson Limited

Merrill Lynch Capital Markets

Morgan Stanley International

Shearson Lehman Brothers International

Cosmo Securities (Europe) Limited

Dentsche Bank Capital Markets Limited

K

INTL. COMPANIES & FINANCE

This announcement appears as a matter of record only.

New Issue

7th July, 1987

SABRE III Limited
*(Incorporated with limited liability in the Cayman Islands)***U.S.\$200,000,000****Floating Rate Secured Notes due 1992**

Secured by a charge on a portfolio of fixed rate bonds and notes with an aggregate principal amount of U.S.\$285,825,000

Issue Price 100.05 per cent.*Yamazaki International (Europe) Limited**Chuo Trust International Limited**Sanwa International Limited**Kleinwort Benson Limited**Mitsubishi Finance International Limited**Daiwa Bank (Capital Management) Limited**Sumitomo Trust International Limited**Taiyo Kobe International Limited*

This announcement appears as a matter of record only.

May 29, 1987.

**BANK OF GREECE****U.S. \$400,000,000**

Transferable Syndicated Loan Facility

Arranged by

Arab Banking Corporation (ABC)
Citicorp Investment Bank Limited
The Mitsubishi Bank, LimitedChase Investment Bank
IBJ International Limited
National Westminster Bank PLC

Lead Managers

Banco di Napoli
Commerzbank Aktiengesellschaft
Gulf International Bank B.S.C.
The Mitsubishi Trust and Banking Corporation
The Saitama Bank, Ltd.Banque Nationale de Paris
The Dai-Ichi Kangyo Bank, Limited
The Kyowa Bank, Ltd.
Mitsui Finance International Limited
(Mitsui Bank Capital Markets Group)
The Tokai Bank, Limited
The Yasuda Trust and Banking Company, Limited

Managers

Banque Bruxelles Lambert S.A.
Libyan Arab Foreign BankThe Hokkaido Takushoku Bank, Limited
London Branch
The Sumitomo Bank, Limited
Union de Banques Arabes et Francaises—U.B.A.F.

Co-Managers

Union Bank of Norway
Associated Japanese Bank (International) Ltd.
Creditanstalt-Bankverein
The Hokuriku Bank, Ltd.
The Svenska Handelsbanken GroupArab Hellenic Bank S.A. Athens
The Chuo Trust & Banking Company, Limited
The Daiwa Bank, Limited
The Sumitomo Trust & Banking Co., Ltd.
The Taiyo Kobe Bank, Limited

Participants

Abu Dhabi Investment Company
The Kagoshima Bank, Ltd.
Bank fuer Oesterreich und Salzburg/Oberbank
The Chugoku Bank, Ltd.
International Trade & Investment Bank S.A. (I.T.I.B.)
The Kiyo Bank, Ltd.
Banco Borges e IrmãoCaisse Centrale des Banques Populaires
Banque Paribas Nederland N.V.
Banque Herjet
Credit Chimique
The Kofuku Sogo Bank, Ltd.
Kuwaiti-French BankThe Chiba Bank, Ltd.
ASBK—CGER Bank
Banca Popolare di Milano,
New York Branch
Banque Commerciale pour l'Europe du Nord (Eurobank)
The Iyo Bank, Ltd.
The Juroku Bank, Ltd.
Sparbanken Ser
Kuwait Real Estate Bank K.S.C.

Agents

The Mitsubishi Bank, Limited
Arab Banking Corporation (ABC)**Wattie in plan to control
Cold Storage Holdings**

BY OUR FINANCIAL STAFF

WATTIE INDUSTRIES, the dominant New Zealand food processing group, yesterday signalled its intention of taking control at Cold Storage Holdings, Singapore's leading supermarket chain, in a deal which could be worth more than \$300m (US\$141.1m).

Wattie said in Wellington that it had bought a 17.1 per cent stake in Cold Storage and was negotiating the purchase of a further 34.23 per cent. No price was disclosed, but with Cold Storage shares suspended in Singapore yesterday at \$84.84, a transaction at market level would be valued at \$300m.

Its original stake, of 21.3m shares, came in a cash deal with Australian and Oriental

Trading, while Wattie is now seeking to buy an additional 42.5m shares from Queensland Trading and Holding Company. Both the Australian companies are linked to the Earl of Portarlington, a descendant of the founder of Cold Storage. The Queensland company, which has a local listing, said the Cold Storage stake was by far its largest investment, and that its board would meet soon to consider Wattie's proposed offer.

Wattie said it had a long-standing trading relationship with Cold Storage and wished to use their combined financial, product and marketing strength to expand Cold Storage's regional activities in south-east Asia.

Cold Storage operates nine supermarket outlets in Singa-

pore, importing much of its produce from Australia. It also has food wholesaling operations and around 20 pharmacies, as well as a 42 per cent stake in Cold Storage Malaysia. For the year to January it made net profits of \$15.7m on sales which reached some \$304.5m.

Wattie—shares in which rose 2 cents ahead of the news yesterday to NZ\$8.5—is a meat processing and canning company.

Late last year it announced

plans for a merger with Goodman Fielder, which would give the enlarged group 100 per cent of the food business on both sides of the Tasman. This move has still not been put into effect, however, following opposition by the New Zealand Commerce Commission on monopoly grounds.

Australian takeovers hang in the balance

By Chris Sherwell in Sydney

TWO TAKEOVER offers involving British-controlled companies in Australia hang delicately by the balance yesterday, as the bidders moved tentatively to enhance their chances of success.

In one, ICI Australia, the quoted local subsidiary of the British multinational, extended for one month its A\$212m (US\$149.3m) offer for F. H. Faulding, the Adelaide-based pharmaceutical company. Faulding is resisting the bid.

In the other, CSR, the Australian sugar, building materials and resources group dropped all conditions in its A\$99.5m bid for Mouier, a building materials company which is 49.5 per cent owned by Redland, the UK.

The CSR move follows Wednesday's rejection by Mouier shareholders of an options agreement between CSR and Redland. Redland supported CSR's bid, and the agreement would ultimately have allowed them to proceed to compulsory acquisition of Mouier.

Resistance to the plan came from Equitec Tasmania, controlled by Mr Alan Hawkins, the New Zealand entrepreneur, which has built up a 10.4 per cent stake in Mouier since CSR first announced its bid.

By making its bid unconditional, CSR hopes to attract some acceptance. But it does not expect many because Equitec's alternative bid is pitched at A\$41.5 per share, higher than CSR's A\$38.50.

The extension of ICI's Faulding bid to August 14 follows a decision by the Foreign Investment Review Board freezing the offer for a further 90 days. Approval or refusal is usually determined within 30 days.

ICI's extension, which had to be decided by today, takes the bid past the general election tomorrow. The bid became politically sensitive when it aroused controversy in South Australia, principally because of Faulding's research activities.

Last week the South Australian State Government bought an 18 per cent stake in the company, paying A\$3.50 per share, the market rate, but far higher than ICI's A\$4.74.

This took its holding in the company to around 12 per cent, enough to form a major obstacle to ICI.

Casio Computer profits fall 59%

BY YOKO SHIBATA IN TOKYO

CASIO COMPUTER, the Japanese digital watch, clock and calculator maker, suffered a 59 per cent plunge in consolidated net profit to Y2.85bn (\$1.9m) in the year to March as the year's appreciation hit the parent and its 24 group companies.

Turnover declined by 12 per cent to Y228.78bn. Domestic sales of electronic musical instruments and liquid crystal

televisions fared well. However, overseas sales fell by about 20 per cent, a setback which was only partially offset by mark-ups in selling prices and rationalisation efforts.

Key subsidiaries such as Yamagata Casio, Kyowa Seiki, and Daiwa Seiko Industries reported lower sales and profits. As a result, consolidated net profits were 11 per cent lower

than those of the parent company.

For the current year, sales of electronic musical instruments and liquid crystal television sets are expected to rise, helping an earnings recovery by the parent company, the first in three years. Consolidated net profits are projected at Y4.5bn, up 57 per cent on turnover ahead by 11 per cent to Y255bn.

YOKO SHIBATA IN TOKYO

JAPAN received a renewed warning yesterday that it should accelerate the liberalisation of its financial markets if it wants to avoid fresh tensions with the European Community.

Mr Geoffrey Fitchew, director-general of the European Commission's bureau for financial services, said at a press conference at the end of two days of talks in Tokyo with Japanese financial authorities that the EC was encouraged by the progress already made in liberalising Japan's financial markets, notably in the securities sector, and by the commitments made by Japanese officials to further progress.

However, Mr Fitchew was worried that the pace of deregulation in the Japanese banking sector would not be fast enough to prevent these issues from becoming major irritants.

The problem, he said, was that foreign banks were unable to raise funds in Japanese financial markets on terms as favourable as those available to Japanese banks, and thus were at a competitive disadvantage. Japanese banks benefited from controlled interest rates on retail deposits, and there was no effective interbank market in the country.

The EC delegation pressed the Japanese authorities in the meetings, the third of a series of informal consultations, to remove interest rate controls from smaller deposits. At present, market rates apply only to deposits of over Y100m (\$665,000) or over 100,000 yen. The Japanese said tax considerations were holding back the liberalisation of interest rates on retail deposits, but the EC argued that there was considerable scope between the present

Y100m floor and the retail level. The EC also urged the Japanese authorities to allow direct dealings between banks in the interbank market (they now have to deal through brokers) and to eliminate collateral requirements.

"My impression is that there is willingness to move forward, but we believe this should be an urgent priority," Mr Fitchew said.

Japan's commercial paper market, which is likely to be opened in December, the EC officials sought assurances that foreign banks would be allowed to play a full role. The Japanese said there would be no discrimination against foreign banks in favour of their domestic counterparts, but would not give any specifics about the part banks would be allowed to take.

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**Equity & Law plc**

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Application has been made to the Council of The Stock Exchange for the ordinary share capital of Equity & Law plc, issued and now being issued, to be admitted to the Official List.

Listing Particulars are available in the Extra Statistical Services and copies of the Listing Particulars may be obtained during usual business hours on any working day (except Saturdays and public holidays) up to and including 23rd July, 1987 from:

Equity & Law plc,
20 Lincoln's Inn Fields,
London WC2A 3ES.

and

Savoy Mills Limited,
New City Court,
20 St. Thomas Street,
London SE1 9RF.

Copies of the Listing Particulars will also be available until 13th July, 1987 from Company Announcements Office, The Stock Exchange, Throgmorton Street, London, EC2P 2BT.

9th July, 1987

f200,000,000**Nationwide Building Society****Floating Rate Notes Due 1995**

Interest Rate	9 1/4% per annum
Interest Period	8th July 1987 8th October 1987
Interest Amount per £5,000 Note due	£116.50
8th October 1987	

Credit Suisse First Boston Limited
Agent Bank

UK COMPANY NEWS

Thorn EMI accelerates to £160m

BY DAVID WALLER

REDUCED losses from Immos and a strong performance Thorn EMI's other activities helped the company increase its pre-tax profits for the year to the end of March from £54.8m to £59.5m.

The results exceeded stockbrokers' expectations and the share price rose 17p to 795p, after touching 820p at one stage.

Sir Graham Wilkins, the chairman, disclosed that Thorn EMI has appointed Goldman Sachs, the US investment bank, to help the company find a buyer for a substantial stake in Immos, the troubled semiconductor subsidiary.

Immos made a loss of £10m in the last year, down from £17m in the previous year. Although Immos had "approached the break-even point" in the first quarter of the current year, Sir Graham said that he was unwilling to predict when it would make a profit for a full year.

Taxable profits included an exceptional credit of £27m, mainly derived from the sale of Thorn EMI House. This was more than offset by reorganisation costs of £42.7m taken above the line.

Turnover for the group as a



C. G. Southgate, left, managing director and chief executive of Thorn-EMI and Sir Graham Wilkins, chairman

whole declined by £131m to £3.19bn, reflecting the level of disposals in the last year.

Turnover on continuing businesses rose by 10 per cent to £2.76bn.

The final dividend is being increased by 1p to 13.5p, making a total of 18.5p (17.5p) for the full year.

Extraordinary items net of taxes were 22.7m (£26.1m) in the previous year.

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UK COMPANY NEWS

Brodian in £27m Buckley's bid

BY NIKKI TAIT

A £26.5M BID battle has finally begun at Buckley's Brewery, the Llanelli-based company held by a series of share stakes changes over the past two years.

Brodian, a nominee company which represents the personal interests of Mr Peter Clowes and Mr Guy Cramer, both directors of the publicly-quoted James Ferguson Holdings, yesterday launched a cash offer of 175p a share. Singer and Friedlander, which is advising Brodian, says it is satisfied that the discussions are available to meet the bid.

The bid price compares with a top price of 180p at which Brodian paid in building up its 29.9% per cent stake. The bulk of that was bought from Mr Tony Cole's Bestwood at 137.5p

a share. Although the price offered puts Buckley's at an exit p/e of 32 times stated historic earnings, shares in the Welsh brewer still managed to rise 14p to 182p.

News of yesterday's offer came one hour before Buckley's was due to hold its annual meeting in Llanelli. A back-stage exchange of letters over Brodian's right to attend or speak at the meeting plus queries over the new executive share option scheme had already taken place.

Mr Cramer said his colleague turned down but said nothing and all business was passed peacefully with the two sides sharing a buffet lunch afterwards. However, Buckley's has said it will not implement the share option

scheme while the bid is unresolved.

Shortly after the meeting, Buckley's put out a statement, saying that it was discussing the bid with its advisers and recommending shareholders to take no action.

Mr Peter Clowes said yesterday that the Buckley's board had had its way. There was little for expanding the retail business, for introducing greater financial controls and offering help on the property side. "They should be acquiring more pubs than they are selling," he commented.

But Mr Colin Thomas, managing director of Buckley's argued that the brewery already served an above-average amount of

real ale and that changes in the pub portfolio reflected "closures in very small areas and openings where there are chimneys."

Other major shareholders include Whitbread, which with Whitbread Investment Trust, holds 27.4 per cent, Britannia Assurance, about 8 per cent and Scottish Amicable and Guardian Assurance, just under 3 per cent each.

Earlier this year, Mr Clowes and Mr Cramer built up a near-20 per cent interest in Belgrave Investments, which they then sold to a private company owned by the Jinks family. Brodian also recently took a stake in Welsh ship-repairer and leisure group, C. H. Bailey.

Automated Security 34% ahead at £5.8m

Automated Security (Holdings), a group engaged in the rental of security alarm systems, revealed yesterday that its profits for the first six months of the 1986-87 year had risen to £5.7m pre-tax, an improvement of 34 per cent over last year's £4.31m.

In the previous full year, profits surged by 48 per cent to £12.4m.

Turnover for the opening half of the current year, to May 31, pushed ahead from £24.65m to £29.01m. Pre-tax profits were struck after deducting interest charges of £1.52m compared with a previous £2.67m.

Earnings worked through at

5.85p (4.29p) undiluted, or at 5.65p fully diluted. The interim dividend is lifted to 6.5p (6.69p).

The directors said the group was now well established and well structured with the profits balanced resources to move forward, both strategically and by acquisition.

During the current year, Modern Alarms will open six new sales branches which will further emphasise its national coverage.

Modern Alarms was also greatly strengthening its position in related services such as closed-circuit TV and access control.

Securing was expanding its

activity in the European market through the international division with the opening of operations in France and Germany.

An order for Mothercare of £2m had been satisfactorily completed and was rental producing.

Modern Vitalcell, the group's emergency communications division, was performing well.

• comment

Not every security company has found that the rising crime rate has shot straight through to its bottom line but Automated Security, which has stayed clear of risky areas like cash handling, has managed to maintain the sale of the Network stake.

Securing was expanding its

profits record. Now, at last, the residential market, prompted by the insurance companies, is taking the burglar alarm to its heart and retailers like Mothercare are realising the benefits of article surveillance. As a result, the prospects for Automated, which has around 15 per cent of the British Standard alarm market, look better than ever. Pre-tax profits should increase to around £1.5m for the full year which puts the stakes at 28.2p on a prospective p/e of 19. That is not quite as steep as it sounds given the growth record and the strong balance sheet after the sale of the Network stake.

There was a first time contribution of £2.66m on the optical instruments division and a one-off contribution of £1.2m on turnover of £7.8m from fibre-optics, which was acquired with Reichert and then sold to German glass maker Schott in January.

The pre-tax profit of £7.7m (£4.44m) was struck after interest payments of £1.4m (£773,000). After tax of £1.32m (£113,000), earnings per share were 6.5p per cent higher at 8.37p (6.17p). No final dividend is being paid but an interim of 6.5p and a second interim of 6.5p was paid earlier in the year.

• comment

The market responded rather niggardly to figures ahead of expectations, marking the shares up just 5p to 27.7p. There may be a twinge of doubt about the continued strength of the housing market, which has pinned the first half performance, but Birmid is still producing flat out and expects to do so for the rest of the year,

Potterton boilers boost Birmid to £9.1m

Birmid Qualeast, the engineering group with interests ranging from foundries to lawnmower manufacturing, yesterday announced interim pre-tax profits of £9.1m, up 48 per cent on the £6.1m achieved in the same period of last year.

The improvement was due largely to a strong performance by its Potterton boiler manufacturing business, helped by a buoyant market, and the elimination of the losses suffered by its engineering companies, which were sold during the period.

Birmid — which last March spun off manager aerospace from Hopewell Ceramic — has just completed the acquisition of New World, a leading manufacturer of gas cookers, from

TI Group for up to £20m. The figures for the six months to May 2 also include a £0.7m pension contributions holiday, which should add about £2.4m to profits this year and £3m in 1988.

There is a £2.5m extraordinary debit, mostly due to write-offs on the sale of its loss-making kitchen furniture business, which was disposed of at the end of the period.

On turnover of £103.6m (£108.9m), the group made an operating profit of £10.06m (£7.01m). Earnings per share are 9.5p (7.6p). The interim dividend is 1.75p (2.25p).

The company said its lawnmower business appeared to be

having an average season, with very good business during April being offset by the effects of extreme weather in other months.

For the group as a whole, the level of business in May and June continued to be satisfactory."

• comment

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Cowie becomes Heron's vehicle for expansion

By Clive Harris

MR GERALD RONSON of Heron International, Britain's largest privately-owned company, has chosen T. Cowie, the Sunderland-based motor dealer, as his vehicle for further expansion in the volume car and contract hire market.

Heron is to take a 48 per cent equity stake in Cowie as part of a £15m deal through which the latter is buying Heron's motor vehicle, agricultural and fuel oil distributorships, as well as its car business.

The acquisition will make Cowie the undisputed leader in the contract hire and fleet management market with 34,500 vehicles.

Mr Ronson said yesterday: "It's brought me in as experts and we've got a bit of equity and we'll let us get on with it." He and Mr Ronson would "do a lot of business together." Mr Ronson said that Heron would contribute its property expertise to the development of Cowie.

In addition to Heron's fleet, its contract hire, leasing and fleet management business, Heron is selling Keith and Boyle, Clarkes of Peterborough, Heron Fuels and Tractors in North Wales, Heron and Drakson in Chester and Rossleigh and Scottish in Perth.

Cowie will pay Heron 25.25m in cash and issue 895,000 shares worth 57.6m at yesterday's market price of 845p, up 15p.

Gilbert House cash call to buy Singer & Friedlander

BY PHILIP COGGAN

GILBERT House Investments, the property group, yesterday announced a £12m rights issue to fund the purchase of 100% of bank Singer and Friedlander from former Britain's Arrow Holdings, the unit trust and fund management group.

The merged company will be run by the Singers and Friedlanders and Mr Anthony Solomon, Singer's chairman and chief executive, will take control of the enlarged group.

Terms of the rights issue are 155 new ordinary shares for every 100 existing at 105p each, which will involve a payment of approximately 135.6m new shares.

Mr Nigel Wray, one-time owner of the Fleet Street Letter, who as chief executive of Gilbert House, recently guided it from the USM to the main market and engineered the purchase of Centrovinc Estates, is taking up his rights as 900,000 ordinary shares.

He is also transferring his nil paid rights in respect of 13m shares to Pergamon Holdings, a company headed by Mr Robert Maxwell, Bishopsgate Investors Trust, another member of the Pergamon Group, is underwriting a total of 10m ordinary shares.

The rights issue is to fund the cash element of the £145m consideration. In addition, there

will be a further issue of up to 14.4m ordinary shares, and of up to 25m of unlisted convertible unsecured loan stock.

Britannia Arrow has elected to take at least 13m ordinary shares, giving it around 5.5 per cent of the enlarged equity.

The loan stock will carry a 1.5 per cent coupon and will be convertible until 2002 on terms of 100 ordinary shares of nominal.

Ernest Jones

Ernest Jones (Jewellers), which has agreed terms for a cash takeover by Ratners Group, achieved a turnover of £17.05m and pre-tax profits of £1.2m in the year to March 28. In the preceding 18 months the figures amounted to £23.54m and £1.6m respectively.

The results reflected the action taken by the directors to rationalise stocks and so facilitate the company's specialisation in the middle to upper section of the jewellery market.

Having regard to the results and the recommended offer of the additional 10m shares, Ernest Jones received an offer of 1.4p and a total dividend for the 18-month period of 5.3p.

The rights issue is to fund the cash element of the £145m consideration. In addition, there

Abdullah group buys 14.4% of CI

By Nicki Tait

A GROUP of investors advised by Mr Ahmed Abdullah, brother of Ram and Osman, who had invested in conglomerate Evered Holdings, has bought a 14.4 per cent stake in CI Group, West Midlands-based steel and engineering company.

The loan stock will carry a 1.5 per cent coupon and will be convertible until 2002 on terms of 100 ordinary shares of nominal.

The 6.6m shares were bought by Victor Fleming during the past few days. Fleming is not disclosing the price paid, but yesterday CI jumped 9p to 64.5p.

The purchases followed a decision by Evered to dispose of a 20.2 per cent holding in CI initially Mr Ahmed Abdullah offered to buy this at 43p a share, but the stake was eventually sold at 46.5p with institutional investors.

Yesterdays Fleming said that the 14.4 per cent holding could have come from some of these institutions, but it had also bought from existing shareholders.

CI Group indicated earlier that it was fairly agreeable to Mr Ahmed Abdullah's consortium buying the Evered stake. Yesterday, CI's non-executive chairman, Mr Roy Kettle, also a non-executive on the Evered board, added that the company was certainly not unhappy about the latest purchases.

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RESIGNATION STATEMENT
On 6 July 1987 Peter Kleeman, the Chairman of Gilbert House Investments plc and Centrovincent Estates plc resigned as Chairman and from the boards of those companies.

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"An excellent first year as a public quoted company"

Tim Perkins, Chairman

Year end 31 March	1987	1986
Turnover up 22%	£113.2m	£92.7m
Pre-tax profit up 44%	£9.9m	£6.9m
Earnings per share up 44%	15.6p	10.8p
Dividend per share up 30%	4.3p	3.3p

Sandell Perkins is one of the largest builders' and timber merchants in the UK. Its roots go back over 200 years and it has 57 branches in London and the South of England. If you would like a copy of our Annual Report and Financial Statements, please write to: The Company Secretary, Sandell Perkins plc, Cobtree House, Forstal Road, Aylesford, Maidstone, Kent ME20 7AG.

Sandell Perkins

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MENTOR CORPORATION
(incorporated in the State of Minnesota, USA)

US\$30,000,000

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Application has been made to the Council of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited for the Debentures to be admitted to the Official List.

Listing particulars relating to Mentor Corporation and the Debentures are available in the Statistical Services of Edel Financial Limited and may be obtained during usual business hours up to and including 14th July 1987 from the Company Announcements Office of The International Stock Exchange of the United Kingdom and the Republic of Ireland Limited and up to and including 24th July 1987 from:-

J. Henry Schroder Wag & Co. Limited, Bankers Trust Company, 120 Cheapside, London EC2V 6DS, Bow Bells House, 69 Old Broad Street, London EC2P 2EE

UK COMPANY NEWS

Fitch Lovell rises 17% to £23m

ALTHOUGH TURNOVER fell by £8.45m to £457.73m in the year to April 25, the pre-tax result at Fitch Lovell showed a 17 per cent improvement from £19.72m to £23.08m.

The directors of this food manufacturer and distributor are recommending a total dividend of 11.3p (10.5p) for the year, which increased from 7.5p (7p). The 17 per cent increase in shareholders' choice of electing to receive fully paid new ordinary instead of cash for all or part of the final payment.

The result for the first two months of the current year were ahead of the equivalent period,

Group profit before interest charges amounted to £23.45m (£19.33m). Manufacturing contributed £14.24m (£11.5m) and distribution £9.16m (£7.63m).

With disposal businesses added over the last three years, achieving higher margins and reducing its dependence on the unfashionable meat sector, meat sales were flat and management is looking to expand into healthier food areas and other niche businesses which could benefit from its established distribution network. With 14 per cent of the market's 14 to 15 per cent

debt, Mr Adolf Winter has retired from the board to pursue his private interests.

• comment

Fitch Lovell's management has changed the group's profile over the last three years, achieving higher margins and reducing its dependence on the unfashionable meat sector. Meat sales were flat and management is looking to expand into healthier food areas and other niche businesses which could benefit from its established distribution network. With 14 per cent of the market's 14 to 15 per cent

AG Barr profits advance 48% to £2.4m

A. G. Barr, Glasgow-based soft drink manufacturer which includes Irn-Bru, Tizer among its brand names, lifted pre-tax profits by 48 per cent in the six months ended April 25, 1987.

On sales ahead by 15 per cent to £19.46m against £16.88m, the taxable result rose from £1.6m to £2.37m. The improvement in turnover reflected a satisfactory increase in sales of

the company's own soft drink products, Mr Robin Barr, chairman and managing director, said.

He added that there were also three elements which were absent during the first half of last year — the introduction of Irn-Bru and Tizer branded confectionery, the marketing of surplus empty PET bottles and an exceptional contract packing order which finished at the

end of June.

The directors are lifting the interim dividend to 3.25p (2.5p), to be paid from earnings ahead from 17.03p to 23.2p per share.

Dividends were £286,000 to 23.2p made in 1986-87, while the pre-tax result was £4.47m.

Trading in the second half had started well, Mr Barr reported, and although since May the weather had been dis-

appointing, the directors re-

mained hopeful that the summer would be at least as good as last year.

From £1.94m (£1.31m) the pre-tax figure was steady after interest received up to £286,000 to 23.2p.

There was also £77,000 provision in respect of the company's profit linked share plan.

Tax charged increased to £777,000 (£523,000).

Mr Thompson has now said that, in view of his close business connection with Mr Abraham, he wishes to assign a 4m block of shares to Ocean-side Trust Number Two Settlement, a trust established by the latter.

Mr Thompson and Mr Abraham are deemed to be acting in concert and permission will be sought to avoid the need for a full offer for the company.

Glenree, which was started by current managing director Mr Trevor Abrahams with City veterans Mr Bob Tanner and Mr Peter Whifford, has ambitious plans to move the group into financial services.

Furthermore, completion of a substantial contract, which was expected to have fallen into the period under review, was deferred into the company's current trading year.

In order to mitigate the effect of the company's trading losses and in order to enable it to take advantage of expansion opportunities, the directors said they were currently holding discussions with another company which may or may not lead to a very substantial acquisition.

The shares tumbled 15p to close at 76p following yesterday's announcement.

Batleys expands to over £2m

Batleys, the Huddersfield-based cash and carry wholesaler, increased its pre-tax profits from £1.78m to £2.01m in the 53 weeks to May 2 1987. The final dividend is increased from 1.7p to 1.8p for a higher total of 2.3p net against 2.2p.

The directors said construction was progressing well at Edinburgh where the company will open for trading early in November. The new depot at

Birmingham is expected to be open for trading next spring. The finance required for these new developments is covered within existing facilities, but the increased borrowing will result in higher interest charges which will be reflected in next year's accounts.

Group turnover for the year was £230.58m compared with £201.76m. Earnings per share improved from 8.32p to 8.75p.

COMPANY NEWS IN BRIEF

WILLIAMS HOLDINGS: Applications have been received from qualifying ordinary and convertible shareholders to acquire 29,474,328 (81.2 per cent) of the new ordinary to be issued as consideration for the acquisition of Crown Paints, Poly-cell and other businesses. The remaining new ordinary to be issued will be made available

to the institutions with whom they were conditionally placed. EDINBURGH Fund Managers is moving up from the USM to a full listing. The company joined the USM in October 1983 but in view of its growth since then now feels it appropriate for shares to be admitted to the Official List. Dealings

are expected to start today. Company has made an encouraging start to the current year. F. J. C. LILLEY has disposed of Wilson Pipe Fittings and the Irvine Spring Company, therefore completing the disposal programme of certain businesses announced in January. The net cash proceeds from the two disposals were estimated at £730,000 and would be used in reducing group debt.

CATTLES (HOLDINGS) has entered into an agreement to acquire Richard Williams (Furnishings), retailer of household textiles operating from 17 branches in the Midlands. Consideration of £1.71m will be satisfied by the issue of 2,759,548 fully paid ordinary shares. Robert Wigram & Co will place 2,719,226 of the consideration shares on behalf of the vendors. Williams profits before tax for year ended February 19, 1987 were £142,888.

CHRISTIAN SALVESEN (temperature controlled food distributor): company now has in place a sponsored ADR (American Depository Receipt) facility in the US. These ADRs, each of which represents 5 Salvesen shares, will be traded on the American Over-the-Counter market. Citibank NA has been appointed depositary agent for the facility.

A CAIRD & SONS has received notification from Cardiff Property and Amalgamated Financial Investments that they have sold 750,000 and 650,000 ordinary shares in the company.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Other indications are not available as to whether the dividends are interim or final and the subdivisions below are based mainly on last year's timetables.

Interim: Westwood Dawes.	
FUTURE DATES	
Interims—	
First Interim	July 23
March	July 15
Trust of Property Shares	July 15
Finals—	
Annual	July 20
AGM-AIFI	July 15
BTS	July 23
Bristol Channel Ship Repairs	July 17
Dyson (J. and J.)	July 24
Eaglestone and Innes Trust	July 15
Globe Shipping	July 29
Misys	July 15
Parfield	July 15
Freddy (Alfred)	July 14
Thorpe Estates	July 17

TODAY

Interest: Westwood Dawes.

 FUTURE DATES

 Interims—

 First Interim

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 Trust of Property Shares

 Finals—

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TECHNOLOGY

Where strength comes from a tug at the heart strings

Peter Marsh looks at a plastic manufacturing technique which has applications in areas as diverse as aerospace and French vineyards

MOTORISTS DRIVING over a bridge in north-east England are soon to witness an unusual event. They will view construction workers fixing to the underside of the structure a maintenance, light-grey covering, which will become one of the world's biggest schemes involving glass-reinforced plastics.

Steel girders holding up the bridge, over the River Tees, near Middlesbrough, have corroded. The plastic structure, of total area some three times that of a full-size soccer pitch, will serve not only as a maintenance platform but as an enclosure to protect the girders from further rusting.

The covering, which will cost about £1m and was devised by Maunsell Structural Plastics, a UK engineering consultancy, illustrates the growing uses for light, strong and corrosion-resistant composites made by a process called pultrusion.

In pultrusion, which has become important because it lends itself to high-volume applications in which shaped sections can be turned out relatively simply, a bundle of fibres is pulled by a winding mechanism through a resin bath and then through a heated die.

After cooling, the process results in a strong composite, in which the fibre is normally either glass or carbon, and is typically in the form of a woven fabric.

In the River Tees structure, on which Maunsell is working on behalf of Britain's Transport Department, pultruded components will be made in the form of thin plastic planks with

a total length of some 24m. The planks will then be bound together to form a framework under the bridge.

Engineers have used a similar process to build a deck for an oil platform operated in the Gulf of Mexico by Shell, the multinational oil company.

Pultruded components are also used in the wing struts of the A320 aircraft made by Airbus, the European aerospace manufacturer, as well as in aircraft and electrical equipment. A growing application in France is in pultruded com-

ponents which are used to hold up vines.

Pultrusion, which is also used to make sports goods such as tennis racquets, has even earmarked for outer space. Engineers in the US have investigated the process as a way of building the large sections which could be used in space stations and other orbiting structures.

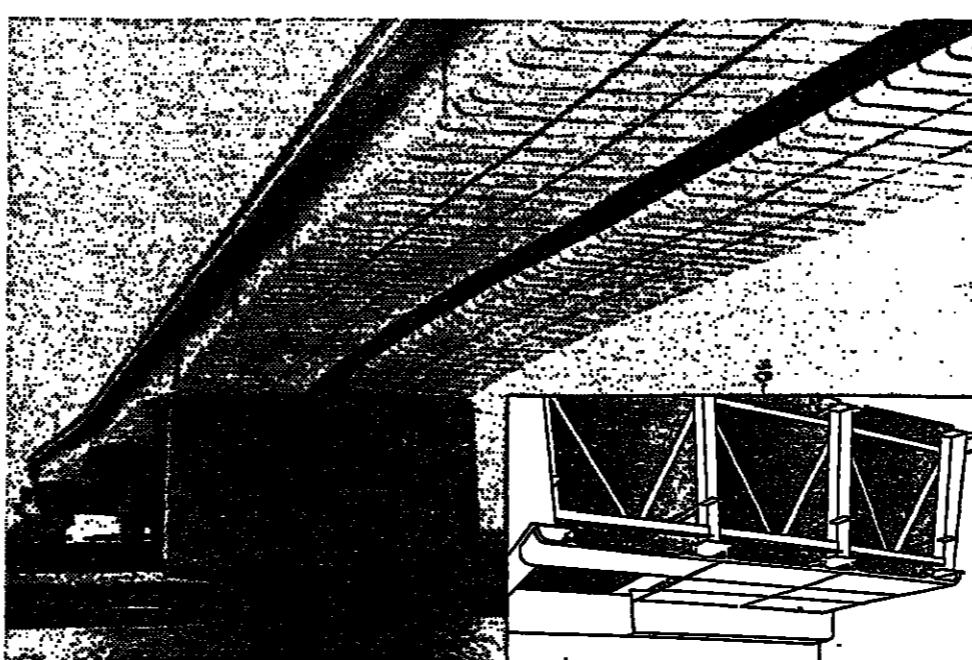
The process is similar in principle to extrusion, in which anything from plastics to dough-based materials used in

a continuous production process fits in with a growing trend in the composite-materials industry towards high-volume applications

which are used to hold up vines.

Pultrusion strengthened its position in ship industry by buying in February, Fibreplex Composites, which is based in Runcorn, Britain, and is one of Europe's biggest makers of pultruded rods.

Berry Ward, a Shell manager involved in new business ventures, says the purchase was attractive because of the rapid growth prospects for pultrusion in Western Europe. Ward believes that the market for pul-



Glass-reinforced plastic covering the underside of the bridge over the River Tees, near Middlesbrough, will serve as a maintenance platform and as an enclosure to protect steel girders from further rusting

truded plastics in Europe is worth \$30m-\$50m a year but is "relatively undeveloped".

In the US, one of the biggest applications for pultruded plastics is in ladders, particularly in the electricity-supply industry.

Electricity workers view plastic ladders favourably because, being non-conductive, they do not transmit current and reduce the risks of electric shocks.

Lading manufacturers of fibreglass ladders include Keller and Louisville Ladder.

Another major use of pultruded sections is in railings and other fittings used in chemical plants. Here, the advantage is that the components are both strong and resist the corrosive atmospheres likely in such installations.

Morrison of the US has had some success in making pultruded rods, called sucker rods, which the market for pul-

truded business. Companies involved in pultrusion are likely either to develop the systems themselves or buy them from their few concerns, such as Pulsex and British or Goldsworthy and Pultrusion Technology of the US, which run out the equipment. Pultrex, based in Clacton, Essex, has sold 65 pultrusion machines, costing £35,000 to £100,000, since the company was formed in 1974.

In Britain, British Gas is a large user of pultruded tubes, which form a coating for underground pipes. GEC Reinforced Plastics has specialised in applications in the electrical, goods and transport industries, while Alan Kennedy, a company in Stockton-on-Tees makes pultruded components for items such as ladders and structural supports.

Such shafts are easier to produce in one piece than sections made from steel. Pultruded components have been used for several years in the car industry, for items like panels, but this is one of the first applications where the section has to bear high loads.

Manufacture of pultrusion machines is a small and spec-

ialised business. Companies involved in pultrusion are likely either to develop the systems themselves or buy them from their few concerns, such as Pulsex and British or Goldsworthy and Pultrusion Technology of the US, which run out the equipment. Pultrex, based in Clacton, Essex, has sold 65 pultrusion machines, costing £35,000 to £100,000, since the company was formed in 1974.

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Clean sweep of optical discs

PHILIPS Research Laboratories in Eindhoven, The Netherlands, has discovered that some semiconductors (gallium antimonide for example), when "doped" with small quantities of undisclosed chemicals, offer prospects as erasable optical recording materials. Optical discs are the most popular moment cannot be erased and so have limited applications.

Work has been in progress for five years in most of the major electronics groups to try to perfect an erasable material. A large market will open for the winners because optical discs are much more efficient than the magnetic kind currently used in computer systems to write, read, erase and re-write data.

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None of the individual units is mechanically linked to the next.

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COMMODITIES AND AGRICULTURE

Judge attacks Tin Council secrecy

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

THE INTERNATIONAL TIN COUNCIL was accused by a High Court judge yesterday of behaving "more like a disreputable private debtor concerned only to hinder and delay his creditors than the responsible international organisation it claims to be."

Mr Justice Millett made his comment when he ordered the ITC to disclose full details of the "nature, value and location" of all its UK assets to its creditors within seven days.

The order was granted to MacLaine Watson, a London Metal Exchange trader and £6m creditor of the ITC.

The judge said that the company could apply to the court to have the order extended to the ITC's assets outside the UK. The operation of the order was suspended for 14 days to give the tin giant time to lodge an appeal. If it does so the stay will be extended until the appeal has been ruled on.

Mr Justice Millett said that,

having failed to persuade the court to appoint a receiver over the ITC's alleged right to call on its member states to contribute to its debts, MacLaine Watson had lowered its sights and was trying to recover the sum it had been awarded at an arbitration from the ITC's own assets.

The ITC had no immunity from legal proceedings to award MacLaine's arbitration award, but difficulty had arisen from the lack of information as to the extent and whereabouts of its assets.

The ITC had refused all MacLaine's requests for information about its assets, in particular its bank accounts, against which the award could be enforced.

MacLaine had therefore come to court seeking an order for disclosure and the judge said he could see no reason for not making such an order, which MacLaine needed to help it enforce its judgment.

He ordered that an ITC officer be nominated to verify by means of an affidavit, within seven days, the details of its

court's policy to prevent a defendant removing or concealing its assets so as to deny a successful plaintiff the fruits of his judgment.

MacLaine had accepted that the court had no power to make the ITC's executive chairman, who had immunity from legal process similar to that given to diplomats, to provide the information.

However, the judge said, he did not accept the ITC's argument that others of its officers had the same immunity from being compelled to give evidence about anything known to them by virtue of their official position.

MacLaine had asked that an ITC officer be ordered to attend court to give oral evidence about its assets but the judge did not think that

Last month a judge ruled that certain ITC documents were not inviolable and could be used as evidence. Judgment on the ITC's appeal against that ruling is expected shortly.

On the debit side, as far as the creditors are concerned, the courts have refused to order winding-up of the ITC or to appoint a receiver of its assets. It is not clear whether the ITC's members—the European Community—are liable for its debts.

MacLaine Watson will be back in court on July 20, when the UK Government, acting through the Department of Trade and Industry, will apply to have MacLaine's attempt to make it liable for the company's debt

assets within the UK.

The ruling was one of the few successes for MacLaine over Wednesday's setback. The cash position ended the day \$5.50 up at \$431 a tonne, while the three months quotation closed at \$411.75 a tonne, up \$2.50. Dealers said by talk that American Bureau of Metal Statistics figures for June would show a stocks fall of 11,900 short tons to 21,100, an exceptionally low level for the summer period. Copper prices fell back again, copper prices for bar and ingot, were used as trade support emerged at lower levels forcing local levels to cover short positions.

Platinum firmed on commission house and local buying, but fell back on long liquidation as the market failed to penetrate resistance before short-covering rallied prices back. In copper, fund buying in December and trade buying steadied the market as fundamentals reassured themselves. In zinc, continued concern over West African crop and trade buying in the face of origin selling. Commission house selling depressed sugar, but trade support prompted a short-covering rally. Cotton fell on trade and commission house selling in advance of the forthcoming crop report, but recovered on short-covering. Commission house buying steadied orange juice futures. Trade and local buying coffee touched record commission house levels, before profit-taking parried gains. Expectations of firmer cattle prices led to steady prices in forward contracts, while tight supplies led to a very strong feeder cattle market.

US MARKETS

CRUDE OIL (LIGHT) 42,000 bbls					
Latest	Prev	High	Low		
August	\$1.21	\$1.20	\$1.19	\$1.06	
Sept	28.70	28.65	28.60	28.55	
Oct	28.30	28.24	28.20	28.15	
Nov	28.35	28.29	28.24	28.20	
Dec	28.35	28.31	28.28	28.25	
Jan	28.31	28.27	28.24	28.20	
Feb	28.31	28.27	28.24	28.20	
March	28.28	28.21	28.19	28.15	
April	28.30	28.25	28.22	28.20	
May	28.30	28.25	28.22	28.20	
June	28.30	28.25	28.22	28.20	
July	28.30	28.25	28.22	28.20	
Aug	28.30	28.25	28.22	28.20	
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Oct	28.25	28.20	28.17	28.15	
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April	28.25	28.20	28.17	28.15	
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June	28.25	28.20	28.17	28.15	
July	28.25	28.20	28.17	28.15	
Aug	28.25	28.20	28.17	28.15	
Sept	28.25	28.20	28.17	28.15	
Oct	28.25	28.20	28.17	28.15	
Nov	28.25	28.20	28.17	28.15	
Dec	28.25	28.20	28.17	28.15	
Jan	28.25	28.20	28.17	28.15	
Feb	28.25	28.20	28.17	28.15	
March	28.25	28.20	28.17	28.15	
April	28.25	28.20	28.17	28.15	
May	28.25	28.20	28.17	28.15	
June	28.25	28.20	28.17	28.15	
July	28.25	28.20	28.17	28.15	
Aug	28.25	28.20	28.17	28.15	
Sept	28.25	28.20	28.17	28.15	
Oct	28.25	28.20	28.17	28.15	
Nov	28.25	28.20	28.17	28.15	
Dec	28.25	28.20	28.17	28.15	
Jan	28.25	28.20	28.17	28.15	
Feb	28.25	28.20	28.17	28.15	
March	28.25	28.20	28.17	28.15	
April	28.25	28.20	28.17	28.15	
May	28.25	28.20	28.17	28.15	
June	28.25	28.20	28.17	28.15	
July	28.25	28.20	28.17	28.15	
Aug	28.25	28.20	28.17	28.15	
Sept	28.25	28.20	28.17	28.15	
Oct	28.25	28.20	28.17	28.15	
Nov	28.25	28.20	28.17	28.15	
Dec	28.25	28.20	28.17	28.15	
Jan	28.25	28.20	28.17	28.15	
Feb	28.25	28.20	28.17	28.15	

UNIT TRUST INFORMATION SERVICE

ET UNIT TRUST INFORMATION SERVICE

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UNIT TRUST INFORMATION SERVICE

LONDON SHARE SERVICE

BRITISH FUNDS

Eurolife Assurance Group	Gibraltar Investors Fund	Kleinwort Benson Islamic Fd Mgmt Ltd	The New Zealand Fund	BRITISH FUNDS	BRITISH FUNDS—Contd	FOREIGN BONDS & RAILS
5-11 Mortimer St, London W1N 7RH	02-631 0278	PO Box 60, Guernsey, Channel Islands	Manager: Lend Lease Offshore Ltd PO Box 73, Clarendon Quay, Road Town, Brit Virgin Isld.	1987	1987	1987
Invest Encls Fd	1344	Gibraltar International	501-26572	High	High	High
Overseas Fund	1182	Guernsey Fd	1-200	Low	Low	Low
Euroamericare Fd Mgmt (Guernsey) Ltd	100/25, St Peter Port, Guernsey	16 Flock Street, Hamilton HM12 Bermuda	Korea Growth Trust	"Shorts" (Lives up to Five Years)	Stock	Stock
0463 710507	Morris Lyons Int'l & Co Ltd	27 Flock Street, London, EC2A	Manager: Citizens Invest Trust Mgmt Co	1987	1987	1987
Kontinentale Int'l Fd	10,000	Streets London Bvrs & Ave	112-1 Insa-Dong Jongno-Ku, Seoul, Korea	High	High	High
S.G. Europe Obligations SA	9 Avenue de la Liberte, Luxembourg	12 Upper Grosvenor St, London, W1	NAV was 18,900.00 US\$23.29	Low	Low	Low
London Agent: FFG, Salisbury House, London W1	EC2M 5TA	50, Grosvenor Gardens, London, SW1	Korea International Trust	"Index-Linked"	Stock	Stock
Tel: 01-320 0777; Telex: 887203	50, Grosvenor Gardens, London, SW1	62 Upper Grosvenor St, London, W1	Manager: Korea Invest. Trust Co Ltd	1987	1987	1987
Europe Options	20,000	50, Grosvenor Gardens, London, SW1	London Representative Office:	High	High	High
Europe Prestige Fund SA	37 Rue Notre Dame, Luxembourg	50, Grosvenor Gardens, London, SW1	29th Marchant Lane, London, EC2 01-623 9633	Low	Low	Low
Europe Prestige Fd	Tel: 47971	PO Box 188, St Peter Port, Guernsey	NAV was 24,742.00 US\$30.5734	Low	Low	Low
European Life (Channel Islands) Ltd	Bridge Hse, St Peter Port, Guernsey	GIF Managed Currency Fund (Funds)	Korea Strategic Fund	"Shorts" (Lives up to Five Years)	Stock	Stock
0463 710211	Guernsey Fd	Participating Shares	12494	1987	1987	1987
Dividends	1000	Standard Shares	12495	High	High	High
Equity	1000	Guernsey Fd	12496	Low	Low	Low
Money	1000	Guernsey Fd	12497	Low	Low	Low
Manage Currency	1000	Guernsey Fd	12498	Low	Low	Low
Property	1000	Guernsey Fd	12499	Low	Low	Low
Precious Metals & Gem	1000	Guernsey Fd	12500	Low	Low	Low
FFM Futures Fund Ltd	PO Box 1400, Hamilton, Bermuda	Global High Int'l Fd	5201.00	1987	1987	1987
FFM Fund July 3	10415	USS Fund Int'l Fd	5201.00	High	High	High
Far East Growth Fund	10s Boulevard Royal, Luxembourg	Steering Fund Int'l Fd	5201.00	Low	Low	Low
Far East Growth	99.62	Ves Fund Int'l Fd	5201.00	Low	Low	Low
Fidelity International	9 Bond St, St Helier, Jersey, CI	Global Commodity Fund	5202.00	1987	1987	1987
Dividends	333071	Global Equity Fund	5203.00	High	High	High
American Assets	511323	Global Income Fund	5204.00	Low	Low	Low
Am Int'l Fund	119.55	Global Money Fund	5205.00	Low	Low	Low
Am Int'l Fund Jan 30	+0.03	Global Strategic Fund	5206.00	Low	Low	Low
Am Int'l Fund Jan 30	-0.01	Global Strategic Fund	5207.00	Low	Low	Low
Australia (x)	500.79	Global Strategic Fund	5208.00	Low	Low	Low
B. West Fund (x)	500.34	Global Strategic Fund	5209.00	Low	Low	Low
Discovery Fund	513.37	Global Strategic Fund	5210.00	Low	Low	Low
Dividends	514.21	Global Strategic Fund	5211.00	Low	Low	Low
Far East Fund	515.49	Global Strategic Fund	5212.00	Low	Low	Low
Franklin Fund	517.21	Global Strategic Fund	5213.00	Low	Low	Low
Global Industries	518.52	Global Strategic Fund	5214.00	Low	Low	Low
International Fund	519.47	Global Strategic Fund	5215.00	Low	Low	Low
Orion Fund	521.27	Global Strategic Fund	5216.00	Low	Low	Low
Prudential Fund	521.51	Global Strategic Fund	5217.00	Low	Low	Low
Global Industries	522.41	Global Strategic Fund	5218.00	Low	Low	Low
International Fund	522.76	Global Strategic Fund	5219.00	Low	Low	Low
Orion Fund	523.07	Global Strategic Fund	5220.00	Low	Low	Low
Prudential Fund	523.32	Global Strategic Fund	5221.00	Low	Low	Low
First Convertible Securities Fund	2 Boulevard Royal, Luxembourg	Hambros Bank Ltd	5222.00	1987	1987	1987
NAV July 8	515.56	14 St Georges, London, EC2	01-306 2051	High	High	High
Fleming Group	London Agents R.F., 25 Castle Ave, EC2	2110 Commerce Centre, Hong Kong	Le Fonds International Capital	Five to Fifteen Years	Stock	Stock
Fleming Asian Fund	102.75	50, Grosvenor Gardens, London, SW1	2 Boulevard Royal, Luxembourg	1987	1987	1987
Fleming Japan Fund	107.04	50, Grosvenor Gardens, London, SW1	Le Fonds International Capital	High	High	High
Fleming International Fund	108.51	50, Grosvenor Gardens, London, SW1	Le Fonds International Capital	Low	Low	Low
Forbes Securities Management Ltd	PO Box 887, Grand Cayman, BWI	50, Grosvenor Gardens, London, SW1	Lloyds Bank (CI) Int'l Mgmt.	1987	1987	1987
London Agents	01-899 3013	50, Grosvenor Gardens, London, SW1	PO Box 195, St Helier, Jersey	High	High	High
Gold High-Score	108.82	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	1987	1987	1987
Gold Fund	109.32	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	High	High	High
Gold Fund Int'l	109.43	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.44	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.45	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.46	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.47	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.48	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.49	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.50	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.51	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.52	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.53	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.54	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.55	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.56	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.57	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.58	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.59	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.60	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.61	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.62	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.63	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.64	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.65	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.66	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.67	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.68	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.69	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.70	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.71	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.72	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.73	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.74	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.75	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.76	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.77	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.78	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.79	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.80	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.81	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.82	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.83	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.84	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.85	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.86	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.87	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.88	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.89	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.90	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.91	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.92	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.93	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.94	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.95	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.96	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.97	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.98	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	109.99	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.00	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.01	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.02	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.03	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.04	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.05	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.06	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.07	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.08	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.09	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.10	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.11	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.12	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.13	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.14	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.15	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.16	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.17	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.18	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.19	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.20	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.21	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.22	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.23	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.24	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.25	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.26	50, Grosvenor Gardens, London, SW1	Lloyds Trust Co	Low	Low	Low
Gold Fund Int'l	110.27	50, Grosvenor Gardens				

Continued on next page

COMMONWEALTH & AFRICAN LOANS

LOANS

C-US Bonds	\$11.14	7.2%	Henderson Admin. (Germany)	PO Box 71, St Peter-Port, Guernsey	0481 710651	Gilt Ed July 8	44.42	60.03	For other pricing day 0481 21374
D-Mature Bonds	\$11.50	7.2%	Gilt Fund	£10.18	10.7%	—	—	—	—
E-Sterling Bonds	\$11.86	6.0%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
F-Mature Bonds	DM10.41	—	Balanced Crt & Prof.	£10.65	1.47%	—	—	—	—
G-Cash Bonds	DM10.72	—	Investment Crt & Prof.	£1.57	1.46%	—	—	—	—
H-Eur Bonds	EUR10.72	6.5%	High Income Crt & Prof.	£1.50	1.49%	—	—	—	—
L-UK Equities	£11.60	—	High Income E. Prof.	£1.50	1.49%	—	—	—	—
M-US Equities	£11.45	—	High Income E. Prof.	£1.50	1.49%	—	—	—	—
N-Japan Equities	¥10.95	—	High Income E. Prof.	£1.50	1.49%	—	—	—	—
O-Glob Equities	£12.28	—	High Income E. Prof.	£1.50	1.49%	—	—	—	—
Z-Cold	£11.09	6.5%	High Income E. Prof.	£1.50	1.49%	—	—	—	—
Foresight Fund			Henderson Management SA	20 Boulevard Emmanuel Servais, L-2922 Luxembourg	0481 23222302	Defn Day 02-236 6387	—	—	—
do Haare Gwara Asia Ltd, Heron Hse, 319-325 High St, Hobart W11-01-404 (0344 840) 100% RAY 4753-535, TDR miles US\$20,737.			Henderson Managed Investment Fund	Asian Fund Sub-Fund	£10.71	—	—	—	—
McDonald & Co Ltd, 1000 St Paul St, Montreal, Quebec H3C 2M5, Canada			Asian Fund Sub-Fund	£10.68	—	—	—	—	—
McD Future Fund			Asian Fund Sub-Fund	£10.60	—	—	—	—	—
McD Diversified Fund			Asian Fund Sub-Fund	£11.17	—	—	—	—	—
—			American Sub-Fd	£15.13	—	—	—	—	—
European Sub-Fd	£15.30	5.1%	European Sub-Fd	£15.30	5.1%	—	—	—	—
UK Growth Sub-Fd	£7.27	7.5%	UK Growth Sub-Fd	£7.27	7.5%	—	—	—	—
US Equity Sub-Fd	£10.00	—	US Equity Sub-Fd	£10.00	—	—	—	—	—
Managed Fund	£0.785	-0.20%	Venture Capital Fund	£14.527	9.35%	—	—	—	—
—			DM Cash Sub-Fund	£0.00101	1.00%	—	—	—	—
SFR Cash Sub-Fund	£0.7582	1.98%	DM Cash Sub-Fund	£0.00101	1.00%	—	—	—	—
Frankfurt Trust Investment GmbH			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Wiesbaden 1, D-6000 Frankfurt			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
FT-Interest	DM44.29	46.37%	Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Frankl. Electr. Rd	DM413.69	151.25%	Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Freibisher Fund Limited			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
PO Box HM1535, Hamilton, Bermuda	BOH 295 7447		Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
NAV July 8	\$3.49	6.03%	Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
GT Management (UK) Ltd			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
8th Floor, 8 Devonshire Sq, London EC2M 4YJ			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Tel: 01-203 2575			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
London Agents for:			Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Arch Gilt Edge co	£10.25	10.2%	Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Arch Gilt Edge co	£10.57	10.3%	Henderson Global Strategy Mgmt SA	20 Blvd Emmanuel Servais, Luxembourg 1000 23222302	0481 62-426	—	—	—	—
Henderson Admin. (Germany)			Henderson Admin. (Germany)	PO Box 71, St Peter-Port, Guernsey	0481 710651	Gilt Ed July 8	44.42	60.03	For other pricing day 0481 21374
MI & G Island Fund			Prestige Management S.A.	30 Boulevard Emmanuel Servais, L-2922 Luxembourg	010 352 21902	Princ Res. Prgm.	£1.48	1.57%	—
Balanced Crt & Prof.	£10.65	1.47%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
Investment Crt & Prof.	£1.57	1.46%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
High Income Crt & Prof.	£1.50	1.49%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
High Income E. Prof.	£1.50	1.49%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
High Income E. Prof.	£1.50	1.49%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
High Income E. Prof.	£1.50	1.49%	Princ Res. Prgm.	£1.48	1.57%	—	—	—	—
Protected Performance Fund			Protected Performance Fund	Box 707, Grand Cayman, KY11, Lda	Tel: 01-509 6367	Performance Fund	£0.90	—	—
—			Protected Performance Fund	Box 707, Grand Cayman, KY11, Lda	Tel: 01-509 6367	Performance Fund	£0.90	—	—
—			Protected Performance Fund	Box 707, Grand Cayman, KY11, Lda	Tel: 01-509 6367	Performance Fund	£0.90	—	—
—			Protected Performance Fund	Box 707, Grand Cayman, KY11, Lda	Tel: 01-509 6367	Performance Fund	£0.90	—	—
Over Fifteen Years			Over Fifteen Years	104.5	9.35	9.18	100.5	—	—
105	96.1	9.35	9.12	100.5	—	—	104	77.1	100.5
106	96.8	9.35	9.12	100.5	—	—	104	77.1	100.5
107	96.5	9.35	9.12	100.5	—	—	104	77.1	100.5
108	123	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
109	117.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
110	117.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
111	117.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
112	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
113	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
114	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
115	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
116	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
117	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
118	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
119	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
120	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
121	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
122	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
123	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
124	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
125	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
126	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
127	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
128	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
129	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
130	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
131	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
132	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
133	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
134	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
135	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
136	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
137	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
138	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
139	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
140	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
141	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
142	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
143	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
144	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
145	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
146	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
147	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
148	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
149	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
150	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
151	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
152	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
153	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
154	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
155	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
156	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
157	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
158	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
159	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
160	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
161	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
162	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
163	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
164	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
165	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
166	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
167	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
168	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
169	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
170	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
171	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
172	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
173	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
174	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
175	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
176	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
177	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
178	116.5	9.35	124pc 2000-03	131.5	10.44	9.46	100.5	—	—
179	116.5	9.35	124pc 2000-03	131.5					

Warburg
39-41 Broad

LONDON SHARE SERVICE

AMERICANS—Continued

1987	Low	Stock	Price	+ or -	Mv	Ctr	T
22	Sara Lee \$1	51.00	1.00	-2.2	51.00	1.00	1
23	Stamps Inc	12.00	1.00	-1.0	12.00	1.00	1
24	Southwestern Bell \$1	22.50	1.00	-1.0	22.50	1.00	1
25	Staley Confections	17.00	1.00	-1.0	17.00	1.00	1
26	State Corp. \$1	47.00	1.00	-1.0	47.00	1.00	1
27	State Farm \$1	12.00	1.00	-1.0	12.00	1.00	1
28	Stevens \$1	53.00	1.00	-1.0	53.00	1.00	1
29	Stiles Corp.	21.00	1.00	-1.0	21.00	1.00	1
30	Stileman \$1	10.00	1.00	-1.0	10.00	1.00	1
31	Stine Corp. \$1	10.00	1.00	-1.0	10.00	1.00	1
32	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
33	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
34	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
35	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
36	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
37	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
38	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
39	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
40	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
41	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
42	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
43	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
44	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
45	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
46	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
47	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
48	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
49	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
50	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
51	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
52	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
53	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
54	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
55	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
56	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
57	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
58	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
59	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
60	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
61	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
62	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
63	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
64	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
65	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
66	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
67	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
68	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
69	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
70	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
71	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
72	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
73	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
74	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
75	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
76	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
77	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
78	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
79	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
80	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
81	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
82	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
83	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
84	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
85	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
86	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
87	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
88	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
89	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
90	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
91	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
92	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
93	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
94	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
95	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
96	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
97	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
98	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
99	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
100	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
101	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
102	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
103	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
104	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
105	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
106	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
107	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
108	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
109	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
110	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
111	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
112	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
113	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
114	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
115	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
116	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
117	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
118	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
119	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
120	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
121	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
122	Stinson \$1	10.00	1.00	-1.0	10.00	1.00	1
123	Stinson \$1	10					

NEW YORK STOCK EXCHANGE COMPOSITE CLOSING PRICES

12 Month		Chg's																							
High		Low		Stock		Div.		Stk		Div.															
P/ Stk		Stk		Div.		Stk																			
12 Month		High		Low		High																			
Close		Prev.		Close		Close		Prev.		Close		Close		Prev.		Close		Close		Prev.		Close			
AAR		S		50		15 23		148		332		324		332		332		100		100		100		100	
ADM		S		16 18		17		57		153		154		154		154		154		154		154		154	
AGC		S		22 24		17		57		154		154		154		154		154		154		154		154	
AMR		Ind		47		7		81		74		74		74		74		74		74		74		74	
APX		S		23 33		12		402		103		104		104		104		104		104		104		104	
APT		S		15 18		12		133		174		174		174		174		174		174		174		174	
APT		S		18 20		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174		174		174		174		174		174	
APT		S		24 27		12		133		174		174		174											

NYSE COMPOSITE CLOSING PRICES

Continued from Page 36

12 Month High Low	Stock	No. 12	P/ S	100s	High	Low	Clos.	Chg.	Div.	Yield	12 Month High Low	Stock	No. 12	P/ S	100s	High	Low	Clos.	Chg.	Div.	Yield	
587	PenCom	25	1.18	8057	454	512	484	+15	-	-	588	Scitex	139	19.14	889	732	724	718	+10	-	-	-
589	Penfam	140	2.71	4272	244	512	484	+15	-	-	590	Scitex	52	8.8	124	124	124	124	+10	-	-	-
591	Penfam	25	7.8	465	356	512	484	+15	-	-	592	Seaboard	14	14	14	14	14	14	+10	-	-	-
593	Penfam	24	5.0	2800	103	512	484	+15	-	-	594	Seacor	14	11	11	11	11	11	+10	-	-	-
595	Penfam	23	3.4	15	654	512	484	+15	-	-	596	Seacor	12	11	11	11	11	11	+10	-	-	-
597	Penfam	42	4.2	41	34	512	484	+15	-	-	598	Seacor	11	11	11	11	11	11	+10	-	-	-
599	Penfam	24	3.4	15	654	512	484	+15	-	-	600	Seacor	10	11	11	11	11	11	+10	-	-	-
601	Penfam	23	3.4	15	654	512	484	+15	-	-	602	Seacor	9	11	11	11	11	11	+10	-	-	-
603	Penfam	24	3.4	15	654	512	484	+15	-	-	604	Seacor	8	11	11	11	11	11	+10	-	-	-
605	Penfam	24	3.4	15	654	512	484	+15	-	-	606	Seacor	7	11	11	11	11	11	+10	-	-	-
607	Penfam	24	3.4	15	654	512	484	+15	-	-	608	Seacor	6	11	11	11	11	11	+10	-	-	-
609	Penfam	24	3.4	15	654	512	484	+15	-	-	610	Seacor	5	11	11	11	11	11	+10	-	-	-
611	Penfam	24	3.4	15	654	512	484	+15	-	-	612	Seacor	4	11	11	11	11	11	+10	-	-	-
613	Penfam	24	3.4	15	654	512	484	+15	-	-	614	Seacor	3	11	11	11	11	11	+10	-	-	-
615	Penfam	24	3.4	15	654	512	484	+15	-	-	616	Seacor	2	11	11	11	11	11	+10	-	-	-
617	Penfam	24	3.4	15	654	512	484	+15	-	-	618	Seacor	1	11	11	11	11	11	+10	-	-	-
619	Penfam	24	3.4	15	654	512	484	+15	-	-	620	Seacor	0	11	11	11	11	11	+10	-	-	-
621	Penfam	24	3.4	15	654	512	484	+15	-	-	622	Seacor	0	11	11	11	11	11	+10	-	-	-
623	Penfam	24	3.4	15	654	512	484	+15	-	-	624	Seacor	0	11	11	11	11	11	+10	-	-	-
625	Penfam	24	3.4	15	654	512	484	+15	-	-	626	Seacor	0	11	11	11	11	11	+10	-	-	-
627	Penfam	24	3.4	15	654	512	484	+15	-	-	628	Seacor	0	11	11	11	11	11	+10	-	-	-
629	Penfam	24	3.4	15	654	512	484	+15	-	-	630	Seacor	0	11	11	11	11	11	+10	-	-	-
631	Penfam	24	3.4	15	654	512	484	+15	-	-	632	Seacor	0	11	11	11	11	11	+10	-	-	-
633	Penfam	24	3.4	15	654	512	484	+15	-	-	634	Seacor	0	11	11	11	11	11	+10	-	-	-
635	Penfam	24	3.4	15	654	512	484	+15	-	-	636	Seacor	0	11	11	11	11	11	+10	-	-	-
637	Penfam	24	3.4	15	654	512	484	+15	-	-	638	Seacor	0	11	11	11	11	11	+10	-	-	-
639	Penfam	24	3.4	15	654	512	484	+15	-	-	640	Seacor	0	11	11	11	11	11	+10	-	-	-
641	Penfam	24	3.4	15	654	512	484	+15	-	-	642	Seacor	0	11	11	11	11	11	+10	-	-	-
643	Penfam	24	3.4	15	654	512	484	+15	-	-	644	Seacor	0	11	11	11	11	11	+10	-	-	-
645	Penfam	24	3.4	15	654	512	484	+15	-	-	646	Seacor	0	11	11	11	11	11	+10	-	-	-
647	Penfam	24	3.4	15	654	512	484	+15	-	-	648	Seacor	0	11	11	11	11	11	+10	-	-	-
649	Penfam	24	3.4	15	654	512	484	+15	-	-	650	Seacor	0	11	11	11	11	11	+10	-	-	-
651	Penfam	24	3.4	15	654	512	484	+15	-	-	652	Seacor	0	11	11	11	11	11	+10	-	-	-
653	Penfam	24	3.4	15	654	512	484	+15	-	-	654	Seacor	0	11	11	11	11	11	+10	-	-	-
655	Penfam	24	3.4	15	654	512	484	+15	-	-	656	Seacor	0	11	11	11	11	11	+10	-	-	-
657	Penfam	24	3.4	15	654	512	484	+15	-	-	658	Seacor	0	11	11	11	11	11	+10	-	-	-
659	Penfam	24	3.4	15	654	512	484	+15	-	-	660	Seacor	0	11	11	11	11	11	+10	-	-	-
661	Penfam	24	3.4	15	654	512	484	+15	-	-	662	Seacor	0	11	11	11	11	11	+10	-	-	-
663	Penfam	24	3.4	15	654	512	484	+15	-	-	664	Seacor	0	11	11	11	11	11	+10	-	-	-
665	Penfam	24	3.4	15	654	512	484	+15	-	-	666	Seacor	0	11	11	11	11	11	+10	-	-	-
667	Penfam	24	3.4	15	654	512	484	+15	-	-	668	Seacor	0	11	11	11	11	11	+10	-	-	-
669	Penfam	24	3.4	15	654	512	484	+15	-	-	670	Seacor	0	11	11	11	11	11	+10	-	-	-
671	Penfam	24	3.4	15	654	512	484	+15	-	-	672	Seacor	0	11	11	11	11	11	+10	-	-	-
673	Penfam	24	3.4	15	654	512	484	+15</td														

FINANCIAL TIMES

WORLD STOCK MARKETS

Blue chips decline amid profit taking

WALL STREET

A WEAKER BOND market and profit taking knocked down Wall Street's blue chips yesterday, but secondary stocks held their ground better in heavy trading, writes Roderick Oram in New York.

Credit markets were undermined by a downturn in the dollar and uneasiness that this morning's producer price index for June might show a bigger jump than the 0.4 per cent generally forecast. Prices fell as much as two-thirds of a point but the markets were affected little by news that an Iranian gunboat had attacked a US-owned tanker in the Gulf.

The Dow Jones industrial average closed down 12.76 points at 2,451.21. It had drifted all day with small losses apart from brief gains at midday and the sharp decline in the last half-hour.

Broader market indices fared somewhat better with the Standard & Poor's 500 index slipping 0.27 to 707.53 and the New York Stock Exchange composite index losing 0.27 to 173.13. NYSE volume was 196.3m shares with the number of issues advancing outnumbering those declining by a margin of eight-to-one.

Among the blue chips, American Express slipped 5% to \$33.4, AT&T was unchanged at \$29.5, Boeing added 5% to \$48, Coca-Cola fell 5% to \$43.7, Eastman Kodak fell 5% to \$86.4, IBM was off 5% at \$166.4 and McDonald's lost 5% to \$54.4.

GTE, up 5% to \$38.4, and United Telecommunications, up 5% to \$27.4, said they would share equally a \$350m second quarter write off by their US Sprint long-distance telecommunications joint venture.

Golden Nugget gained 5% to \$13.2 on more than 1.8m shares. Mr Donald Trump, the New York real estate developer, said he had a 4.9 per cent stake in the casino group and might seek control of it.

Telefunken fell 5% to \$37.24. Speculation had mounted in recent days that it will benefit from reorganisation or takeovers of companies in which it has a large minority stakes.

These include Kiehle, up 5% to \$61.5, Litton, off 5% to \$103.4, Curtis-Wright, off 5% to \$66.4, and Reichhold Chemicals, down 5% to \$63.2.

Pay NPAK Stores slipped 5% to \$20.4. Mr Paul Bilzerian, a Florida raider, suffered a setback in his efforts to takeover the chain of home improvement stores. Morgan Stan-

CANADA

EARLY ADVANCES in Toronto tailed off by midsession after profit-taking and muted signals from Wall Street. Gains were still good, leading the market towards its third consecutive record.

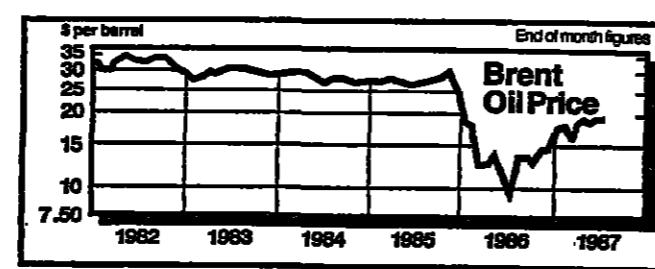
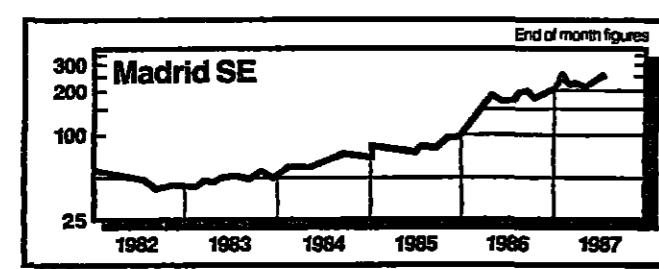
On the active list, Canadian Pacific dropped 5% to CS27.4 after gaining CS1.1 in Wednesday's strong market.

SOUTH AFRICA

A FIRM bullion price pushed gold share prices in Johannesburg sharply higher amid good demand for selected issues. Vaal Reefs responded to market interest, rising R20 to R450.

Kloof followed the trend at a slower pace, adding R2 to close at R45. Elsburg edged up 55 cents to R10.90.

KEY MARKET MONITORS



STOCK MARKET INDICES

WEST GERMANY

US CURRENCIES (London)

US BONDS

LONDON FT

NETHERLANDS

Treasury

TOKYO

SWITZERLAND

Treasury Index

AUSTRALIA

SPAIN

Corporate

AUSTRIA

SINGAPORE

Interest Rates

BELGIAN SE

SOUTH AFRICA JSE

Financial Futures

CANADA

COMMODITIES (London)

Interest Rates

DENMARK SE

GOLD (\$/oz)

Interest Rates

FRANCE

London

Interest Rates

INDIA

Zurich

Interest Rates

ITALY

Paris

Interest Rates

NETHERLANDS

London

Interest Rates

<h4

SECTION III

FINANCIAL TIMES SURVEY



Repression of black resistance to apartheid has lowered South Africa's temperature, but the problems remain. Re-elected President Botha pledges "reform yes, surrender no". Black opposition has gone underground while Pretoria tries to co-opt those it considers moderate, writes Anthony Robinson.

Preparing for the long haul

SOUTH AFRICA has entered its second year under a state of emergency older than at any time since riots against the new constitution in August 1984 sparked off violent black protest.

Fear, or at least caution, has triumphed over anger. Unrealistic black expectations of imminent revolutionary change have been dashed.

The white minority which controls the political, security and economic power of the South African state has re-established its authority and much of its confidence. Even the economy is looking in better shape. Despite the exodus of foreign companies, sanctions and the fall in oil prices, the economy should grow by at least 3 per cent this year and next.

The last three years have left their mark, however. South Africa is a sadder but perhaps wiser place. There are no illusions that the struggle for power is over. At best, the emergency and tough security force action has created a truce — a breathing space in which both sides can prepare for the long haul.

For the National Party



President P.W. Botha: dashing expectations of revolutionary change

South Africa

pressure to review its tactics and strategy in view of the gap between its revolutionary rhetoric and the reality of white state power inside the country.

Ironically, the main boost to the prestige of the ANC, Africa's oldest and most frustrated nationalist movement, came from President P.W. Botha himself, who made it the central theme of his election campaign.

Five weeks after the elections he justified re-imposition of the state of emergency on June 11 by the continuing strength of the underlying "revolutionary climate." He also declared war on the "current ANC leadership, which he believes is dominated and manipulated by the South

African Communist Party.

Mr Botha won the election by playing on the fears of the white electorate. The National Party won 123 of the 166 elected seats in the House of Assembly, thanks partly to a large swing of nervous English speakers into the Nationalist camp.

But the right-wing Conservative Party (CP), and the now insignificant Hartigie Nasionale Party (HNP), gained nearly 30 per cent of the vote. It was enough to make the CP the new official opposition, with 22 seats to the 19 won by the chastened "liberal" Progressive Federal Party (PFP).

What is more, the CP is breaking down the necks of the NF

in dozens of marginal seats. This leads political analysts to surmise that the government will delay the next elections well beyond the present mid-1989 constitutional timetable. It needs a simple majority in all three houses to do this.

Viewed pessimistically, the elections showed that 70 per cent of Afrikanerdom is best seen in the strong support given to the three independent candidates in the election and the interest in non-racial solutions, especially among younger middle class Afrikaners.

The government may modify aspects of these bedrocks but not the substance.

The President has made clear

that under his leadership constitutional change will remain firmly wedded to "group", meaning ethnic, politics. Afrika's ideal is to arrive at a form of power sharing between elected white, coloured, Asian and black leaders at local, regional and ultimately national level, which will not lead "to the domination of one group by another." In plain English this means a solution

rate ethnic states. The biggest and richest would be white. The only blacks in this white country, tentatively named "Southland," would be millions of "foreign" contract labourers without political, trade union or other rights.

Government critics like Mrs Helen Suzman, the PFP law and order spokesperson, say South Africa is subject to a "creeping coup d'état."

Her former leader, Dr Frederik Van Zyl Slabbert, defines the political struggle as a contest between an extra-parliamentary government, ruling through a network of non-elected, securitised and dominated technocratic management committees, and an extra-parliamentary opposition.

Meanwhile, many in the outside world interpret the strengthening of executive government and the emergency restrictions as marking a shift away from "reform". This is emphatically denied by a government which feels it has received enormous recognition for the abolition of influx control, legalisation of black trade unions, and recognition of the permanent status of blacks in "white" South Africa, or its commitment to equalising educational standards within a decade, acceptance of rapid black urbanisation, and a long list of other socio-economic reforms backed up by real spending shifts.

Critics respond that apartheid has merely been trimmed back and modified. What remains, they say, is the core essence of "separate development": the population registration, group areas and separate amenities acts — and those monuments to Dr Verwoerd's concept of "grand apartheid," the 10 ethnically-defined black homelands. Four are nominally independent states and a fifth, KwaZulu, is being pushed in that direction.

The soul searching and inner

turmoil beneath the crusty surface of Afrikanerdom is best seen in the strong support given to the three independent candidates in the election and the interest in non-racial solutions, especially among younger middle class Afrikaners.

At the other end of the spectrum, 30 per cent of the white electorate opted for what might be called the Rip Van Winkle option proposed by the CP. Its neo-Verwoerdian vision is based on partition into 13 sepa-

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which allows every group to have their say at all levels—but ultimately leaves the whites in control.

The latest exercise in group-based power sharing came into operation this month when the first Regional Service Councils (RSCs) make their debut. Bitterly criticised by business, which will finance them through new levies, the RSCs are seen by government planners as instruments for channelling resources from rich white local authorities to their poor black neighbours.

It remains to be seen how effective they will be. Thus far "power sharing" has proved an elusive goal. The problem in the perception of the SACP's Greens and Post is that the Government "offers blacks terms they can't accept without losing the authority they have over their people."

That applies not only to "radicals" like the ANC and the anti-apartheid United Democratic Front (UDF) but also to powerful "moderate" black leaders like Zulu Chief Mangosuthu (Gatsha) Buthelezi. One of the tests of the Government's commitment to power sharing will be its future attitude towards proposals for multi-racial government in Natal Province drawn up by the so-called Natal Indaba.

The need to offer black leaders options sellable to their followers was underlined by a black mayor, Mr Essau Mahlatsi, in his speech bestowing the freedom of six black townships on President Botha last month.

He called on the President to abandon his proposed "national statutory council"—rejected by blacks as a toothless advisory body—and change his opposition to black participation in Parliament. Black said the mayor, would only be satisfied with equal participation in a central parliament with whites.

The bottom line message to the Government was stop wasting your time looking for black stooges.

But the last three years have shown there are no "quick fixes." The race between the tortoise of reform and the hare of revolution is essentially a struggle for black hearts and minds. It is a struggle which will continue to be fought at all levels of a complex society in the midst of profound and confused transformation.

The great underlying strength of the South African economy has begun to show up the fallacies of revolution that gained currency here, and especially abroad, in the past two years

Africa's end

Business Day, March 26, 1987

The latest Business Confidence Index of the Association of Chambers of Commerce of South Africa states:

"It is clear that business sentiment is continuing to strengthen and that economic perceptions in South Africa are gradually improving."

The positive impact on the business mood has come mainly from gold, the rand, and the dollar, although signs of improvement in the real economy are also apparent."

If you would like more information on business opportunities in South Africa, write to the South African Embassy, Trafalgar Square, London WC2N 5DP.

SOUTH AFRICA 3**Trade unions****Sharp rise in number of strikes**

TIMES ARE HARD and getting harder for South Africa's black trade unions. In the absence of formal political rights for blacks, the unions have come to articulate the political as well as economic aspirations of a government determined to break what it sees as "unrealistic expectations" and force the unions back into narrowly defined channels of wage bargaining and workplace issues.

At the same time, the union movement is being forced to clarify its views on the politically fraught issue of disinvestment by foreign companies. Disinvestment has not increased pressure on Pretoria to abolish apartheid, as originally expected, and has been met with demands from certain members of the buyout of chosen foreign-owned assets, rather than black workers or budding entrepreneurs.

This has forced the unions to re-think their position and a major debate on disinvestment is expected to dominate proceedings at the annual conference of the Congress of South African Trade Unions (Cosatu) to be held at Witwatersrand University in mid-July.

Hundreds of union officials were included in the successive waves of detentions without trial which have filled the jails during the state of emergency. Most have since been released, partly because of protests from management worried about the disruption to labour relations.

Pressure on the unions continues, however, and they are expected to lose some of the financial and other support from the international trade union movement as part of the Government's general crack-down on foreign funding.

On May 1 the Government banned all anti-apartheid and demonstrations. This move particularly coincided with a week later when at least half a million workers stayed away for two days in protest against the May 6 whites-only election. On the day after the elections, a powerful bomb exploded in the basement of Cosatu House in Johannesburg, forcing the evacuation of affiliated unions which had their offices there.

Since then, Cosatu unions, including the powerful National Union of Mineworkers (NUM), the Council of Unions (Cusa) and the Azactu have been operating out of temporary accommodation. In most cases without telephones, 1986, and the demise of the last old-style, non-racial federation, Cosatu, which is aligned with the Trades Union Congress of



Mr Jay Naidoo, General Secretary of the Confederation of South African Trade Unions

the United Democratic Front (UDF), the anti-apartheid umbrella organisation, but has no formal links with it, has emerged as the major force in the black trade union movement.

Unity remains elusive, though. In May last year, Zulu Chief Gatsha Buthelezi, a fierce critic of both Cosatu and the UDF, as well as a strong opponent of disinvestment, attacked the United Workers' Union of South Africa (UWUSA) at a May Day rally in Durban. It claims over 130,000 members and is a significant factor in the Natal coal mines and the industrial areas of the province but has little influence elsewhere.

Other significant developments over the past year have been the merger between the two black consciousness-oriented federations—the Council of Unions (Cusa) and the Azactu—in October 1986, and the demise of the last, old-style, non-racial federation, Cosatu, which is aligned with the Trades Union Congress of

South Africa (Tucs).

Perhaps the most significant development on the white union front was the election to Parliament on the right-wing Conservative Party ticket of Mr Arrie Paulus, the white miners' union leader. He will now be in a position to carry on his rear-guard action from the opposition benches against the long promised removal of racial job reservation in the mines.

The last three years of violent protests and emergency conditions have seen a sharp rise both in the number and duration of strikes. Last year official statistics issued by the Department of Manpower indicated 643 strikes and 150 "work stoppages" involving 323,000, mainly black workers, and the loss of 1.16m man days. Over 40 per cent of work days lost were registered by the mining industry alone.

Traditionally most South African strikes have been of short duration, and even last year most strikes were settled within three days.

strike outcome.

Cosatu, the largest union federation, which was formed in December 1985 with 450,000 affiliate members, has since grown to 750,000 members in 23 affiliates. The number should be reduced to 12 by its second congress in July. The reduction in numbers reflects the progress towards re-structuring the black trade union movement into fewer, larger unions on the principle of one industry, one union.

A major step forward in this direction took place in May with the merger of seven Cosatu affiliate unions in the auto, metalworking and engineering industries into the 130,000-strong National Union of Metalworkers (NUMSA). It has become the second largest union after the 390,000-strong National Union of Mineworkers (NUM).

This year, with growth expected to reach 3 percent and most companies reporting substantially higher profits, the unions are pressing for above inflation rises. Cosatu is co-ordinating action through its "living wage" campaign, which includes a R4 per hour minimum wage demand.

The danger is that higher minimum wages and greater labour rigidity, coupled with relatively low investment and low productivity, could further reduce job opportunities in the formal sector. This was pointed out by the recent president's council economic advisory committee report on unemployment.

Already over the past five years some 140,000 jobs have been lost in manufacturing, 280,000 in agriculture and 75,000 in construction. Even the mining industry, which up to now has bucked the trend, thanks to massive investment in new mines, is finding that higher wage costs are making it imperative to spend more on labour-saving mechanisation.

Both strikes were finally settled after lengthy negotiations by lawyers acting for the respective parties, and both were widely viewed as "victories" for the unions.

The longer term result of the Sats strike is expected to be a fundamental change in labour relations inside Sats and the extension of the Wiehahre reforms to the public sectors, including so-called strategic industries.

Already Mr Jay Naidoo, Cosatu's general secretary, reports that thousands of black workers in the public sector, including hospital and health workers, are applying to join Cosatu unions as a result of the Sats

Anthony Robinson

Namibia**International chess**

IN HIS OFFICE at the Tintenpalast, the imposing residence in Windhoek of Namibia's German past, Mr Andreas Shipanga eloquently argues the case of the territory's multi-racial administration in which he serves as Minister of Commerce, Mining and Tourism.

Mr Shipanga was once a senior member of the South West Africa People's Organisation (Swapo), the nationalist movement waging a guerrilla war of independence, but ran foul of its leadership. After his release from detention in Tanzania, he eventually moved to Namibia to head a breakaway party, which is today a member of the so-called "government of national unity" established under South Africa's auspices in July 1985.

Most of the pillars of apartheid in Namibia (South West Africa), have been knocked down, says Mr Shipanga: pass laws abolished, racial discrimination ended, schools in areas desegregated, hospitals opened to all races (although de facto segregation by ward continues, he acknowledges).

A 62-member national assembly, drawn from six political organisations ranging from the all-white National Party (which shares many of the values of its counterpart in South Africa) to parties calling for majority rule, enjoys a considerable degree of local autonomy.

Yet the stalemate in efforts to secure an internationally acceptable independence for Namibia, and end a 20-year guerrilla war, is as entrenched as ever. The South Africa Government, the ultimate authority for the territory in defiance of the United Nations and represented in Namibia by an administrator-general, Mr Louis Pienaar, seems committed to a constitutional formula at odds with what Mr Shipanga, Swapo and the UN advocate.

Although Pretoria's thoughts are couched in the code-word vocabulary of "South African realities", it is apparently seeking a formula which would ensure that the territory's 100,000 whites (a little under 10 per cent of the population) retain not only a dominant influence in government but have control of their "own affairs".

On the military front, Namibia's future remains enormous—an estimated \$1.5m a day. But there is little evidence that Pretoria is prepared to reassess its strategy given the wider issues at stake in the region. And in terms of South African domestic politics, where President F. W. Botha faces a strong right wing chal-

lenge, it would seem an unlikely time to change the status quo.

"Namibia and its inhabitants have become trapped in a multidimensional game of international chess," observes Mr Sean Cleary, a former senior South African official, once on the staff and now remains based in Windhoek as a consultant.

On this chessboard, Namibia's political parties appear as little more than pawns. Most observers agree that Swapo—drawing heavily for its support from Ovamboland—at the heart of the war and representing about half the population, would in all likelihood win a majority of seats at stake in independently supervised elections.

But with its guerrilla force struggling against formidable opponents, its military prospects of victory are forlorn and the diplomatic avenue to power remains closed. Prospects for the internal parties attaining real power are as bleak, although in the short term, at least, they could end the benefits of South Africa's willingness to allow a severely circumscribed local authority.

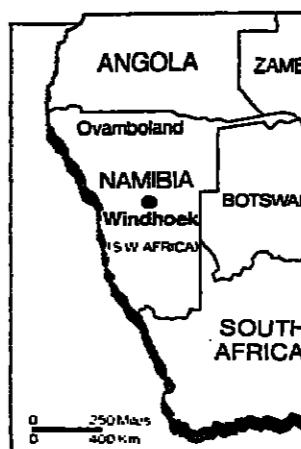
They are subject to Pretoria's veto on any independence constitution they draw up—a process now under way. One set of proposals, due to be published this month, provides for what might be termed a majority rule system based on proportional representation and providing for minority rights. The other, drawn up by the local National Party, is closer to embodying Pretoria's concept of what is suitable for Namibia.

It is improbable that the former will win support from Pretoria. As for the international community, it is likely to point out that all parties to the dispute have agreed, in principle at least, to the independence plan first set out nine years ago at the United Nations and known as Resolution 433.

It need not be treated as "a holy cow" as one of its architects has acknowledged. But the western powers and the African front line states would require clear and unequivocal evidence that Pretoria was prepared to surrender its control of Namibia before allowing Resolution 433 to unravel.

The Windhoek Administration, tied economically to South Africa and sheltering under its security umbrella, cannot declare independence unilaterally—a pipedream which sometimes enlivens political debate in Windhoek.

Michael Holman



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SOUTH AFRICA 4

Profile : Mr Van Zyl Slabbert

Cogent analyst



THE AFRIKANERS have produced a long line of rebels against their community's political values, ranging from politicians to poets.

The list includes Bram Fischer, a distinguished lawyer and Communist Party member with an impeccable Afrikaner pedigree, jailed in the 1960s for sedition, Beyers Naude, a leading churchman, and Breyten Breytenbach, a contemporary poet whose work is revered by his fellow Afrikaners and who was jailed under the Terrorism Act.

Afrikaners sometimes seem to take a rueful and puzzled pride in the very quality of the tribal renegades they produce. The latest in the line is a man whom many see as perhaps the only politician who can muster the respect of black and white South Africans. English and Afrikaans speakers, the ruling National Party and the banned African National Congress.

Fredrik Van Zyl Slabbert, 47, studied at his party and fellow South Africans in February 1986 when he announced that after 12 years as an MP, the last seven of them spent as leader of the Progressive Federal Party (PFP), he was leaving parliament.

It had become irrelevant, he said, and declared that the exclusion of blacks from the tri-cameral assembly introduced in 1984 and the development of increasing powers in the hands of President Botha had moved the political arena outside parliament.

The timing and the manner of Mr. Slabbert's departure—fellow PFP MPs only learned of his decision on the morning of the announcement—infuriated many party members. But Mr. Slabbert, who went on to set up the Institute for a Democratic Alternative for South Africa (Idasa)—a constitutional think-tank which brings together a cross-section of South Africans—is acknowledged as one of the country's most cogent and penetrating political analysts.

He has the build of a front-row rugby forward, put to good effect in the fields of Stellenbosch University (the centre of National Party intellectuals) and is equally at home in Afrikaans and English. When The Sowetan, one of South Africa's leading black newspapers, conducted its own election poll, on whom they would like to run the

country he was in the top 10, alongside Nelson Mandela, Oliver Tambo, Archbishop Desmond Tutu and the Rev Alan Boesak.

Sitting in the study of his Cape Town home, Table Mountain framed in the window, Mr. Slabbert gives his assessment of South Africa's prospects: "I can see a renewal of violence and a deepening of the siege, but not a successful revolution. The option is not revolution versus reform, so much as government's attempt to co-opt blacks and others versus genuine negotiation. And co-operation will focus in two areas—security and constitutional affairs."

Having created a tricameral parliament for whites, coloureds (mixed race) and Indians, Mr. Slabbert says, "the search is now on for the equivalent for blacks through a national service council (NSC), city states, homelands and so on, and government is asking: How do you combine them into an overarching constitutional structure?

"The government hopes that with security and constitutional co-operation, combined with opening up the economy—de-regulation, privatisation and so on—you can get a programme of socio-economic reform going that will be sufficiently strong to win off political dissidence."

"Fundamental to government's approach is what it sees as broadening democracy on a 'group basis'—which I think is nonsense. And the idea of compulsory group membership is non-negotiable as far as the government is concerned.

You may eventually see black faces in the Cabinet photographs, but control will still be firmly in the hands of the white minority."

Those opposed to government policy, Mr. Slabbert says, ranging from the ANC to the United Democratic Front, the legal anti-apartheid coalition, have to ask what they are going to do in the face of what he calls "a massive co-optive onslaught."

"How do they set up alternative democratic structures that can compete with the patronage and inducements of the co-option system?"

On the other hand, he continues, government will find it increasingly difficult to make co-operation work. "It's very difficult to argue with young Afrikaners, putting them in touch with young blacks and letting them talk about democratic alternatives; getting Afrikaner academics in touch with UDF and even ANC people."

Michael Holman

AFTER A decade of low growth the average South African is worse off today than in 1977, despite a sharp increase in the gold price, the single most important variable in the entire economy. At least that is the conclusion to be drawn from government statistics which show that GDP per capita (at constant 1980 prices) has fallen from R2,047 in 1976 to R1,917 last year. Growth has simply failed to keep pace with the rise in population, and many of South Africa's underlying political and social problems are directly related to the resulting rise in unemployment and frustration.

But there are increasing doubts about whether the official statistics tell the whole story. Tom Norton, president of the Johannesburg Stock Exchange, is among those close observers of socio-economic trends who believe that the extent and dynamism of the largely black informal economy is heavily under-reported. He estimates that the informal sector probably adds another 15 per cent to GDP which, on an annualised basis, was officially running at around R59bn in the first quarter of this year.

Visual evidence of the amount of house building, house extensions and informal business in the townships and homelands indicates a substantial pick-up in economic activity and black purchasing power. This is reflected, in record beer sales, for example, and booming business in furniture and other stores supplying black consumers.

A lot of demand suppressed during the last two years of boycotts and township unrest is re-emerging now that "order" has been restored to the townships. Tens of thousands of black workers lost their jobs in the informal sector during the post-August 1984 recession, and those that have struggled to keep pace with inflation. Some key sectors like the mining industry, however, have paid wage increases above the inflation rate and this year unions are fighting for higher wages under the "living wage" slogan.

Whites, meanwhile, have been doubly hit by below-inflation wage and salary increases, and a sharply higher tax burden through fiscal drag over the last five years. Formal re-distribution of income is a political

minefield, especially after the Conservative Party's string showing at the elections. Redistributing funds to the better-off per capita spending on, for example, black and white education and other social services.

But the main factor behind inflation appears to be the inexorable rise in Government spending and the size of the multiple bureaucracies. In his election-delayed June budget Mr. Baroud du Plessis, the Minister of Finance, announced a 16.2 per cent rise in spending to R46.85bn for the fiscal year 1987.

This will push the borrowing requirement up to 4.7 per cent of GDP, which the minister said would provide a further stimulus to the economy. To help ease that load this year reaches the 3 per cent target. Confidence in official estimates has been badly dented by five years of heavy over-budget spending. A major question-mark surrounds the Government's ability to curb its spending when private sector consumption and investment recovers as expected. Unless carefully watched, the result could be severe inflationary pressure next year accompanied by a marked deterioration in the balance of payments.

The general feeling in government circles is that a relatively high level of inflation is part of the price to be paid for easing the burden per capita spending on, for example, black and white education and other social services.

There are still huge areas of black poverty, especially in rural areas and among the urban unemployed. But higher black incomes, and the encouragement of black enterprise by de-regulation and encouragement of black urbanisation, are seen as essential if the economy is not to become the main casualty of the political stalemate. A major pre-occupation of both government and business is to sever the identification of capitalism with apartheid. The aim is to give blacks a greater stake in the system as property owners and businessmen not just as workers.

According to Mr. Fred du Plessis, chairman of the giant Afrikaner Sanlam Group, blacks, who make up around 72 per cent of the population, own only 2 per cent of the country's wealth although they have over 40 per cent of total consumer power. Closing that gap, while at the same time ensuring that the overall economic cake grows bigger, is a main objective of socio-economic policy.

The task has not been made

Economy

Informal sector plays a large part



Children of seasonal workers. Blacks in work have struggled to keep pace with inflation.

easier by disinvestment and the need to repay \$24bn of external debt. Inflation and debt repayment are the main constraints on growth. A debt re-scheduling agreement was reached with the major creditor banks in London in March: South Africa will repay \$1.44bn of its \$13bn bank debt over the next three years, as well as the maturing portion of its \$10bn official debt.

The banking community appears to have been quietly impressed by the way in which South Africa has kept its entire \$24bn debt on a performing basis, and some banks have quietly resumed lending. Even so, honouring its debt commitments means that the economy has to run a substantial current account surplus. This amounted to \$2bn, over 5 per cent of GDP last year, and is expected for 1987.

The higher gold price has been a major help, contributing both to a firmer rand and a rise in reserves to R6.36bn at the end of May, of which nearly R5bn was in gold following the unwinding of earlier gold swaps. The economy combines elements of a highly developed first world sector, with a large, underdeveloped third world component. On the plus side, it has a technically advanced and efficient mining industry and

South Africa with abundant cheap coal as well as rich mineral resources—should carve out a niche for itself in heavy industries of the general "smokestack" kind.

Anthony Robinson

Profile : Mr Gerhard de Kock

Relaxed central banker



MR GERHARD DE KOCK, the governor of South Africa's central Reserve Bank, has been described by a leading bank economist as the man who has done more to enable economic sanctions to bite against South Africa than any foreign government or pressure group.

His policy of liberalising South Africa's financial and banking system—which encouraged South African companies to borrow heavily abroad—led to the liquidity crisis of September 1985, when the Government imposed a unilateral freeze on foreign debt repayments. Since then, policy has been dominated by the fact that banks have turned South Africa from a long-term importer of capital to an exporter, at the cost of an investment slump, low growth and rising unemployment.

Although the rush to withdraw foreign capital from South Africa was probably inevitable, the charge against de Kock correctly reflects the influence he has exerted over government economic policy in the past six-and-a-half years. Few, if any, other central bankers have a similar standing in their coun-

tries. Similarly, de Kock believes that it would be "immoral" for South Africa to lighten the burden by re-purchasing its debt through the secondary market where it has been trading at a discount to its face value of up to 40 per cent. Recently the discount has narrowed to 20 per cent. De Kock has been criticised by some economists for taking the country for filling to within the line between the debt negotiations in the last two years. He has, they say, too much empathy with their concerns and their outlook.

De Kock's background is cer-

tainly cosmopolitan. The son of a former Reserve Bank gov-

ernor, he studied at Harvard in the US before becoming a banking professor at Pretoria University. Since 1968, he has served as director of the International Monetary Fund and later of the International Bank for Reconstruction and Development. He has a shrewd understanding of the preoccupations of foreign bankers.

Since 1985, de Kock's policies have been unexpectedly successful in allowing South Africa to run large current account surpluses and boost the Reserve Bank's gold and foreign currency reserves from \$1.5bn to \$3.5bn. At the same time de Kock has played a key role in the renegotiation of South Africa's foreign payments. He has smoothed the fears of foreign bankers to the point where several have shown willingness to extend fresh trade and gold-related credit to South Africa.

Bridging the gulf between foreign bankers and his inward-looking Afrikaner constituency is not easy, even though both sides respect his grasp of international finance. He has often clashed with more interventionist ministers and officials. But he insists that the tension between the two is far from reaching breaking point.

What were the chances of a more right-wing government in future embarking on a "Peru-

vian" policy and repudiating South Africa's \$22bn foreign debt? The isolationist argument is that it is futile to continue making such large sacrifices to pay back institutions that, for political reasons, will never again provide a white-dominated South Africa with more capital. But de Kock says he knows of no hawks in the Government or Treasury who would endorse such an approach.

Other bankers in South Africa

draw comfort from the belief that, despite his distrust of the outside world, the average Afrikaner has a deep-rooted belief in his duty to repay all debts. This is likely to limit any popular pressure on the Government.

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The Swiss, he says, are the most pragmatic. "They like coming here, visiting the game reserves, travelling on the blue train," he says. "They have been very impressed by our performance in the last two years. It is ironic that South Africa is the model of the way we should not be seen as the good boy scout. The foreign bankers just wish that the other countries with debt problems would take a leaf out of our book."

With the help of its current account surpluses, South Africa has repaid \$3bn of its debt since the moratorium was imposed. But the total capital outflow has been much larger.

"If you had asked me three years ago how we would manage if we were to lose \$8bn of foreign capital and IMF payments and have conditions of

drought, a lower gold price, at least until recently, riots and political unrest, I would have said, this could never happen. But suppose you said to me, 'If . . .'" de Kock shakes his right index finger with the enthusiasm of a university debater—"then I would have said that the economy could never adjust to such a shock."

Such was the Latin American concern. South Africa was forced to adjust because there was given no alternative, he said. The Reserve Bank's policy had been to reimpose stricter exchange controls with a dual exchange rate structure, but allow the rates to float downwards choking off imports and boosting exports sharply.

But were not exchange controls creating just the sort of oligopoly and bureaucratic muddle that was condemned by his commission on the reform of the financial sector, which produced its final report in 1985?

"Everything in South Africa

is complicated," he said. "At least we do not have to manage separate exchange rates for whites, blacks and coloured."

Clive Wolman

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Stock Exchange

Record year for new issues

WHEN LEBOWA BAKERIES (Lebeka) is listed on the Johannesburg Stock Exchange on July 22 it will mark a watershed for the company. It will also be the first black-controlled firm to be quoted on the exchange and its flotation will form part of a record year for new share issues.

In the five months to the end of May this year, 34 new companies had been listed on the market. The total for last year was 67 and Johannesburg stockbrokers estimate that 100 new names will be added to the market lists this year.

The surge of new issues since the start of 1986 is indicative of the distortions of South Africa's financial markets. Though most corporations can borrow from the banks at negative real interest rates, it is cheaper to raise capital through the stock market. In mid-June industrial share prices were even dividend yields of 2.8 per cent and the industrial sector was rated on an average earnings multiple of 14. A year earlier those ratios were a dividend yield of 3.9 per cent and an earnings multiple of 11.

On the whole, these investment measures are what one

would normally expect at the height of an economic boom, rather than in the early stages of a potentially fragile recovery from the worst post-war recession. The new issues, however, take into account the sharp recovery in corporate earnings currently under way and the limited investment options available to South African institutions, trapped behind comprehensive exchange controls.

Stockbroker Richard Jesse reckons that corporate earnings growth will be in the region of 40 per cent in October this year and that the rate of growth of dividends will top out in the region of 30 per cent by the end of the year. Corporate earnings and dividends have recovered strongly from their recessionary depths as a result of lower interest burdens and improved trading conditions.

Brokers believe that the swirl of new issues is "a good thing." Six financial and insurance groups which straddle the South African private sector control 80 per cent of the wealth represented by the JSE's capitalisation. And brokers say that the flood of new issues is symptomatic of the country's

continuing entrepreneurial drive. To an extent the brokers are right, but many of the new issues were designed simply to allow owners of private companies to realise all or part of their investments. At the end of 1986, as corporate and private investors continued to demand for exports, the JSE actuarial overall stood at 1.972 which represented an advance of 67 per cent on the closing level of 1.935. Gold shares closed the year '73 per cent higher than at the start with the All Gold index rising from 1,163 to 1,908 and the index of industrial shares rising by 23 per cent to 1,424 from 1,068.

This year the pattern has been different. Gold shares have been restrained by the combination of gold's reluctance to move towards \$600 an ounce, falling costs and foreign hesitancy over South African shares. By mid-June the All Gold index was about 3 per cent higher than at the end of 1986. The overall index was about 11 per cent higher and the industrial index had notched up a 33 per cent advance.

This year rand-denominated

export earnings of mining companies have not benefited from the rand's weakness. Coal exporters in particular have been hit by lower dollar-prices for coal and sanctions-induced difficulties. Investors have shifted away from the minerals sectors and, brokers report, are concentrating on the sectors which will benefit from the government's promotion of inward industrialisation. They are less concerned with gold shares, particularly as foreign holdings continue to hang on.

Movements in the gold sector are likely to be prompted by shifts in foreign perceptions. At present, foreign shareholders can count on dividend yields of as much as 10 per cent on blue chip South African gold mines, compared with yields in low single figures on shares in smaller Australian or Canadian producers. That is the measure of the risk perceived in investing in South African risk assets, spurred by the fact that more than a year ago the financial rand has generally been worth less than half the external value of the commercial rand.

Jim Jones

Trading floor of the Johannesburg Stock Exchange

Gold

Production target uplifted

FINANCE MINISTER Barond du Plessis earlier this year said that South Africa's mines would lift their annual gold production by 700 tonnes in the next five years. This is a tall order for an industry that has had an almost steady decline in production since 1970 when it peaked at fractionally more than 1,000 tonnes. The target represents a rise of 10 per cent on the 635.2 tonnes produced from all sources in 1986, and a target made more difficult to hit by the fact that production in the first four months of this year was almost 3 per cent less than in the corresponding period of 1986.

Mr Du Plessis' estimate relied largely on the view that the record levels of capital spending by the mining world will be maintained officially to come grade declines. Last year the Chamber of Mines' gold mining members spent R2.42bn on capital projects—a whaler less than twice the amount they spent in 1981. Coincidentally or not, that growth in capital spending precisely matches the consumer price index's rise over the same period—and on that basis real capital spending was no greater in 1986 than in the first years of this decade. None the less, capital spending has allowed the mines to increase their total production of ore each year since 1970.

Gold production has fallen because the mines are locked into an irreversible situation of declining grades. Mines are wasting assets and South African mine managers, like their colleagues worldwide, want to maximise returns on investment by mining higher grades of ore first and then working progressively lower grades.

To a considerable extent, capital spending in recent years has been targeted at increasing mill throughputs, as a means of controlling cost increases. It appears not to be successful. In 1986, gold output increased by 1.1 per cent, while unit costs rose by 10.2 per cent. In 1985, gold output increased by 1.3 per cent, while unit costs rose by 11.5 per cent. In 1984, gold output increased by 1.4 per cent, while unit costs rose by 12.5 per cent. In 1983, gold output increased by 1.5 per cent, while unit costs rose by 13.5 per cent.

In other words, black miners' wages are being pushed substantially faster than warranted on pure productivity and inflation matching grounds. White miners' wages have not. However, that is not an argument heeded by newly unionised black miners who are determined wages will recover from decades of no collective bargaining.

The miners' dilemma will be hard to solve. The weight of the gold fields' miners wife-eccentric underground mechanisation difficult. New processes which improve efficiencies are possible on the surface, as was shown by the wide-scale introduction of carbon-in-pulp (CIP) and carbon-in-leach (CIL) developments which improved gold recoveries in ore treatment plants.

Underground it is a different matter. Attempts to introduce



Smelting freshly poured gold bars



Finance Minister Barond du Plessis: optimism on output

Gold Production by Chamber Members						
Year	Gold milled tonnes	Gold produced tonnes	Gold revenue Rm	Pro-tax profit Rm	Capital expenditure Rm	Dividend Rm
1979	83.5	702.8	5,666	3,837	689	963
80	89.9	654.9	9,665	7,335	922	2,279
81	91.9	645.3	8,301	4,809	1,222	1,685
82	95.0	682.0	8,515	4,498	1,256	1,372
83	99.9	654.8	9,513	5,338	1,408	1,731
84	101.1	681.8	10,399	5,669	1,645	1,689
85	104.6	637.0	13,354	7,803	1,911	2,322
86	107.7	605.9	15,677	8,307	2,416	2,545

Chamber of Mines members only

Source Chamber of Mines of South Africa

Gold

Exchange control rules start to bite

NEW EXCHANGE control regulations will be invoked by one South African Reserve Bank official early June this year. And it seized all the assets of three officials of a commercial bank who are due to appear in court in August on charges of contravening the country's stringent exchange control regulations.

Their alleged crime was "round-tripping," a device by which investments priced at the effective financial rand rate were bought abroad illegally using commercial rand. They were then repatriated to South Africa for sale to create more commercial rand. Profits accumulated rapidly as, at the time, the financial rand's external worth was half that of the commercial rand.

The financial rand (FR) was reintroduced in September 1985 both to discourage divestment and

to prevent foreigners' snowballing dividends from South Africa from swamping the country's foreign exchange reserves. It separates non-residents' rand holdings into a restricted pool so that a non-resident selling a South African investment receives payment in rand which can only be converted into sterling or dollars by being sold through the pool to another non-resident who wants FR. There is no loss of foreign exchange and the FR's effective exchange rate is substantially less than that of the commercial rand.

The market in FRs is not open to South African residents and is comparatively thin and volatile since it reflects the balance of non-residents' willingness to hold South African assets. Standard, French Bank and UAL, the principal banks, are holding the current FR exchange rate. However, when dividends are paid they are remitted to the non-resident in

than R500,000 will move the rate sharply.

Nevertheless, it is not an altogether innocent act. FR can be created simply by selling assets or shares to South African residents. The rand receipts from that sale to resident South Africans have to be deposited in specially designated FR accounts and can be used either to acquire further assets in South Africa or shares to be transferred to London for safe at dollar denominated prices there.

The converse is that non-residents can invest in South Africa at more advantageous yields than are available to South Africans themselves. In the case of gold mining shares, for example, a non-resident buys at a dollar price determined by the rand price in Johannesburg and the current FR exchange rate. However, when dividends are paid they are remitted to the non-resident in

dollars at the commercial rand exchange rate.

At present, entry into South Africa through the FR market is limited to non-residents wanting to buy equities or fixed assets.

However the South African

exchange control authorities are expected to allow the FR market to be expanded. Back in the seventies and early-eighties, before financial rands were briefly abolished, foreign owners were allowed to introduce new financing into the country through the FR market. One of the largest deals was done by Volkswagen, which brought in more than R100m to finance the re-tooling of its motor plant. Restoring this use of the FR as a means of persuading foreign firms that there are advantages to staying and expanding in South Africa.

Jim Jones

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SOUTH AFRICA 6

Investment management

Corporate giants under fire over crossholdings

THE LARGE institutional investors in the life insurance and pensions industry have recently been placed in the forefront of the mounting public and governmental criticism of the extreme concentration of corporate financial and industrial power in South Africa.

The industry is led by four companies—in order of size, Old Mutual, Sanlam, Liberty Life and Southern Life—which have a 75 per cent share of the life insurance and long-term savings market between them and are also the dominant institutional investors on the Johannesburg Stock Exchange (JSE).

The issue of concentration has been highlighted by the recent divestment moves of a large number of foreign, particularly US, companies. Their subsidiaries have usually been sold to one of the domestic corporate giants.

Thus, for example, the Prudential Corporation of the UK sold its South African subsidiary to Liberty Life while Barclays sold what is soon to be labelled First National Bank was bought by Anglo American Corporation, the country's largest company, both directly and through its subsidiary, Southern Life.

The recent publication of a book showing the extent of the cross-holdings between South Africa's corporate giants, has added fuel to the fire. The impression created is that of dominance of the economy by a handful of multi-industry groupings, linked through ownership ties, similar to the discredited "zaibatsu" system that operated in Japan before the Second World War.

One leg of the argument is that there is negligible legitimate synergy or economies of scale between the component parts of South Africa's huge sprawling conglomerates. The holding company managers often appear to have only a weak grasp of the detailed operations and strategies of their underlying businesses.

Against that, the managers claim that South Africa's capital markets, which are small and isolated by exchange controls, are not always efficient or liquid enough to take over the extensive concentration of the conglomeration's head office.

The liquidity crisis of 1985, which led to South Africa's foreign debt moratorium, would have caused a much more serious rash of corporate insolvencies if the holding companies behind them had not been available to bail them out, they say.

Sanlam, the Afrikaner-led mutual company, which has often provided its position to foreign capital markets in South Africa's "unique" situation, has taken the most active interventionist stance.

Over the last two years, Sanlam has been involved in the restructuring and management shake-outs of several large companies such as Gencor, the second largest mining company, the Kirsch Trading retail group (now called Tradegro) and the Nedbank.

Even Old Mutual, which prefers to limit itself to hands-off portfolio management in which it has achieved outstandingly high returns since 1984, was compelled to intervene in the rescue and recapitalisation of Nedbank after it faced payment difficulties in 1985 as a result of the debt moratorium.

The insurance companies also claim, quite rightly, that despite the degree of concentration, the market for their products is a highly competitive one. The competition has ensured a high degree of efficiency, cost control, product innovation and technological advance.

The computerised financial data base, complete with colour graphics, which is used by investment managers and analysts at Old Mutual's headquarters in Cape Town, has few equals even in the large securities and investment houses of London or New York. But the arguments against the

complex web of crossholdings have never focused on the creation of monopolies. As far as the customer is concerned, the claim is rather that it thrives on a number of collusions of interest, particularly in the financial services industry. With the partial exception of Liberty Life, all the insurance companies have ownership and other links with different banks and building societies.

According to Mr Zak de Beer, chairman of Anglo: "insurance, banking, property and construction arm, the primary source of synergies between Sanlam, Life and Barclays is the opportunity which it will bring for cross-selling."

More serious is the scope for abuses in the capital markets and through dealings with the expense of shareholders who are outside the web. For example, the Mine Officials and Mine Employees pension funds, together the largest in South Africa with assets of R5 billion, have been instrumental in which in recent years have yielded poor returns determined by an investment committee controlled by the mining houses.

Mr Malcolm Mackintosh, deputy investment manager, said he preferred not to comment on the extent to which the fund is used to boost or manipulate the mining houses' share price.

Similarly, corporate managers are strongly pressurised to buy the products of companies in the same group. Mr Tony Morton, JSE president, says that this was one of the main factors behind his departure from Barlow Rand, one of the largest non-mining companies.

"The pressures to be a team player can be quite terrifying," says Mr Morton. "Concentration in itself is not bad but it gives rise to conflicts." That is the main reason, he argues, for preventing Stock Exchange firms from being acquired by outside companies.

The high concentration of investment management, together with the thin capitalisation of Stock Exchange firms—which prevents them from taking large positions in equities—are two of the main reasons for the low turnover of most managed equity portfolios.

The turnover rate of the big four insurance companies for equities is well under 10 per cent—although for government bonds it is 100 per cent. This is based on their strong cash inflows to adjust their weightings in different stocks. The fact that they are often effectively locked into large stakes often makes inevitable their intervention in corporate crises.

The companies complain that their lack of manoeuvrability is largely a result of the restrictions placed on their investment activities by the government. Firstly, exchange controls prevent them from diversifying their assets into foreign securities. Government policy has also led to the almost total exodus of foreign shareholders from South African non-mining stocks, leaving the insurance companies to take up their shares.

Thirdly, insurance and pension funds are obliged to hold 33 and 53 per cent respectively of their portfolios in prescribed assets, which means primarily government bonds on which the yields are typically low.

Because these ratios are calculated on historic costs and not market values, the managers have a strong deterrent against realising their capital gains on equities. For a pension fund, 53 per cent of the proceeds would have to be invested in prescribed assets.

It is often argued that the issue of excessive concentration of financial power can be seen as just one aspect of the highly regulated approach to economic management of the Nationalist Party over the last 40 years.

Clive Wolman

THE IMPOSITION of economic and financial sanctions on South Africa by the outside world has probably had a more serious effect on its banks than on any other industry.

The most traumatic effect was on Nedbank, one of the five dominant South African banks. Its holding of the middle group, the two British banks, Barclays and Standard, which have the largest market shares and the two Afrikaner banks, Volkskas and Trust Bank.

When the debt standstill was imposed in September 1985, Nedbank was exposed to large foreign currency losses and to a mismatch in the maturities of its assets and liabilities. A failure to meet international payment terms led to runs on its branch offices in London and New York which was ended only by the intervention of South Africa's central Reserve Bank and by a recapitalisation. Since then, the bank's domestic business has recovered strongly.

At the same time consumer credit has failed to expand, as the painful memories linger of the 25 per cent prime interest rates of two years ago.

The upshot of these developments has been a shrinkage in the balance sheets of all the large banks—at least after adjustment is made for the 20 per cent inflation rate.

This has had the favourable side-effect of making it easier for them to comply with the new and much tougher capital adequacy requirements laid down in last year's Banks Act.

The Act brings South Africa more into line with international practice by requiring capital to be held as a varying proportion of different assets in accordance with their riskiness.

The only growth area for lending has been in housing finance, where the banks have been encroaching on the traditional territory of the building societies. However, the building societies have been finding back, taking advantage of the new, proven gateway to the market opened by the introduction of the South African market to emigrate and join foreign, particularly Australian, financial institutions.

At the same time, the econo-

mic recession, which was deepened by the country's debt crisis, led to a rising number of insolvencies and liquidations in 1985 and 1986—a trend which has now levelled out but which forced the banks to make large bad debt provisions.

The investment slump, which now also appears to have bottomed out, meant a steady repayment of debt by companies during 1986 despite continuing negative real interest rates. The one offsetting factor has been the explosive boom in new stock market flotation, which the banks' merchant banking arms usually sponsor. There has been a recent tendency, however, for small companies to bypass

the investment arms of the banks in favour of the stock market.

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At the same time, the econo-

Banking

Sanctions will inhibit foreign links

and often at exorbitantly high rates of interest. So far only one significant black-owned and managed bank, the African Bank, has emerged and it has suffered from poor marketing and internal controls.

The hope is that the sharp rise in black incomes of the last five years will continue and at least a small proportion of South Africa's 25m blacks will start making greater use of financial services.

The SA Perm, the only one of the big building societies which needed to be restructured, has been particularly active in the black mortgage market, lending R320m of its R500m new loans last year to blacks.

However, the growth of this sector has been stifled as a result of the current rent boycott. The Government is refusing to allow all those involved in the boycott to buy their own homes. In addition, some bankers believe, unofficially, that encouraging blacks to buy their own homes merely reinforces the racial segregation of housing entrenched by the Group Areas Act.

The other rapidly growing financial services market for blacks is pension or provident fund contributions. Black trade unions have generally insisted, to the point of calling strikes six years ago, on the right of black workers to withdraw contributions when they leave or change jobs. The comparatively low life expectancy of most black workers means that typical pension fund benefits may be of little value.

This has made provident funds a more suitable vehicle for blacks, despite their fiscal disadvantages. The funds are mainly managed by the merchant banking arms of the main banks or by the insurance companies. For the first time, managers are meeting trustees or investment committee members who are black.

Clive Wolman



With rising incomes, it is hoped that black people will make greater use of financial services

Taxation

Failure to lift thresholds adds a burden

MOST OF THE RECENT tax reform moves around the world derive from similar causes. But South Africa's racial problems, and the steady withdrawal of foreign capital, have added some complex twists to the problem.

Within the next few months the Government is to publish the recommendations of the 19-person commission on tax reform—which are known to be fairly radical—together with its own views. After a consultation period, legislative proposals are expected to be introduced to Parliament next March.

The commission, headed by Mr Justice Cecil Margo, a distinguished commercial and tax lawyer, was set up in late 1984 with the strong backing of the Government. Its report, which contains many minority recommendations, was originally scheduled for completion a year ago. Despite the work which has been done, most believe that the Government will feel obliged to implement a large part of the report because of the seriousness of the problems it addresses.

The most serious has been the sharp increase over the past six years in the wake of the General Sales Tax (GST) and in the average rate of income tax. Although the top rate has been cut to 45 per cent, the failure to increase bracket thresholds in line with the high rate of inflation in the 1980s, has meant that the average rate of tax has become high even for middle-income earners.

Many economists believe that the ending of South Africa's attractions as a low tax country have been a more important factor than political unrest behind

the upsurge in the emigration of skilled white labour.

According to Justice Margo, who is unable to release any details of his recommendations: "The ideal system of taxation is one with a broad base and a low rate." As it is, for certain groups to be carried on much more efficiently through well-targeted subsidies than through the tax system, he says.

He gives as an example the exemption from GST that has been granted to some fresh food but not tinned food, supposedly to help the poor, yet many impoverished blacks rely on tinned food.

The industries most likely to be the victims of proposals to sweep away special exemptions for relief are mining, life insurance and the building societies. At present, mining companies are able to offset their capital expenditure, if on an existing or contiguous mine, against corporation tax in the first year.

The insurance companies and building societies are both granted (differing) tax privileges for their savings products. The Commission is committed to achieving greater fiscal neutrality in savings and investments.

One beneficiary of the reforms, however, should be the Stock Exchange and its members. At present, trading in equities is desultory by London standards—less than 10 per cent turnover per year. This is largely a result of the high rate of stamp duty (transaction tax) which is 15 per cent, and, more importantly, the tendency of the tax inspectors to impose income tax on all capital gains realised on the sale of equities.

The Government is likely to face the fiercest opposition if it removes some of the exemptions from the GST. To give compensation to the low income black population will be difficult since South Africa has no social security system except for a limited state pension.

As a measure of the political pressure, one of the few successes in its short history of the Indians Chamber of Parliament (which is boycotted by most of the Indian community) has been to win an exemption from GST for rice.

Tax reform can be an explosive racial issue. In 1984 the black trade unions threatened strike action in protest against the repeal of the Black Taxation Act and the introduction into the general taxation system.

Although under the new system an estimated 80 per cent of black taxpayers pay less tax, their protests were fuelled by a general suspicion of government intentions.

The Commission also allowed the issue of "no taxation without representation" to be raised.

More recently, black militants

have revived the tax issue by calling on employers not to deduct income tax at source from the earnings of blacks and by threatening black traders who collect and pay GST revenues to the Government.

One of the outstanding biases of the existing tax system is the substantially less favourable tax treatment granted to provident funds—the most popular long-term savings vehicle for black employees—compared with pension funds. This area is a likely target of reform.

The issue on which Margo has been most outspoken is that of tax evasion. According to Mr Pierre du Toit, senior tax partner of accountants Arthur Andersen, the crackdown on tax dodgers has already begun. More businesses have had their accounts subject to detailed scrutiny, the ranks of tax inspectors have been boosted by drafting in young accountants to serve in lieu of military service, and a variety of tax loopholes in particular fringe benefits have been closed.

"The traditional assumption of basically benign taxman is no longer true," says Mr du Toit.

Margo is expected to propose several new measures, including more criminal prosecutions, stiffer penalties and, most fundamentally, a shift from General Sales Tax towards a modified form of Value Added Tax. This has the attraction of

being self-policing.

After broadening the tax base, the second most important issue on the reform agenda is removing the bias in favour of high labour substituting investment as a way of reducing unemployment. The generous allowances which let 130 per cent of the value of investments be offset against tax, have already been removed. The more highly accelerated forms of depreciation allowance may now also go, although in conditions of high inflation no solution will be simple.

The move to withdraw foreign capital and investments, and the abrogation by the US and Canada of their double taxation treaties with South Africa, is also expected to lead to a change in policy. The Government is considering granting unilateral relief on the dividends and interest payments to foreigners by reducing or removing withholding taxes.

Some observers remain sceptical about the political will of the Government to implement such reforms. According to tax consultant and publisher Mr Costa Divaris: "There are powerful political reasons why the tax system is as it is. The pure intent of the proposals are from a fiscal or economic point of view, the worse they will be from a political point of view."

Clive Wolman

Foreign companies' responsibilities

Disinvestment can backfire

IN THE WELTER of debate about the merits of disinvestment from South Africa it is ironic that a set of proposals for what is being termed "socially responsible withdrawal" has come from an institution which vigorously urges foreign companies to remain in the Republic.

Proponents of disinvestment—anti-apartheid lobbies in the US and Britain, the African National Congress and some black organisations in South Africa—have belatedly discovered that the policy can backfire.

At least 78 US companies have pulled out over the past 18 months. The record to date suggests that many (though not all) the new South African owners may be less amenable to union demands, are cautious about playing a wider community role, and, of course, are not susceptible to foreign shareholder pressure for improved working conditions.

Later this month the Congress of South African Unions (Cosatu) will be meeting to reassess its strategy (though apparently not to reverse its policy). But in the meantime the Urban Foundation, South Africa's business-funded reform lobby which backs black education and housing programmes, has come up with an ingenious

set of proposals which will allow departing US companies to support the Foundation's work on a tax-deductible basis.

Warwick Barnes, an executive director of the foundation stresses the body's opposition to disinvestment: "By staying as good corporate citizens foreign companies can contribute to the promotion of policies and programmes that encourage change and promote the development of disadvantaged communities."

SOUTH AFRICA 7



Preparing the staple food of mealie meal for school children during the drought.

Agriculture

Sixth year of drought

A BITTER JOKE is doing the rounds among South Africa's debt-ridden farmers. What it asks, is the difference between a bird and a farmer. The answer: a bird can still make a deposit on a tractor.

This black humour expresses the angry, despairing mood of farmers, especially in the drought-plagued highveld parts of the Transvaal and the Orange Free State. It is a mood which cost Mr Geyling Wenzel, the minister of agriculture, his seat in the May 6 elections and gave the Conservative Party victory after victory throughout the Transvaal "Platteland".

The political dimension of the agricultural crisis in the heartland of Afrikanerdom could hardly have been spelt out more clearly. For many urban South Africans living in cities like Pretoria or Johannesburg, last summer will be remembered as the abundant year in which watered parched lawns and lush suburban gardens. But for the debt-ridden maize (maize) farmers of the Western Transvaal, in particular, this was the sixth year of drought as fierce heat in the crucial February growing period withered once-promising crops on the stalks.

The net result is that earlier

hopes of a 9-10m ton maize crop this year have been dashed. Now the most which can be expected is around 7.2m tons — just enough to satisfy the nearly 6m-ton domestic demand, and leave a million or so tons for export.

Maize is the most important single crop, worth over R2bn out of total 1986 agricultural production of R12.97bn — roughly 5 per cent of GDP. As the elections showed, it is also the most politically important. It therefore took considerable political courage for the government to permit a 10 per cent drop in the producer price only months before the election.

However the decision to give greater flexibility to the maize board, and abandon the old cost-plus basis of price fixing, reflected the need to contain prices to reverse the 15 per cent drop in maize demand over the last two years. Faced with higher prices and recession, black consumers, who buy around 3m tons of white maize as their staple diet, either bought less maize or turned to bread and cheaper grains like rice.

It is difficult, though, to tell farmers that they have to drop their prices to be competitive when the country's 67,000 commercial white farmers are burdened with over R1bn of debt and faced with an average 20 per cent rise in input prices for fertilisers and tractors, for example.

The biggest burden on most farmers is the interest on debt accumulated during the drought and, as a result of tax-break induced over-spending on plant and equipment in the recent good years. It has brought thousands of them to the brink of bankruptcy. In his June budget Mr Barend du Plessis, the Minister of Finance, set aside R400m to rescue desperate farmers from sequestration. This was part of R1bn set aside for farm relief in one form or another.

All-in-all, coal provides about 80 per cent of the country's total energy needs. At the last count, recoverable coal reserves stood at 58bn tonnes, equivalent to about 11 per cent of the world's total. While this might appear to be a secure enough base from which to withstand sanctions, availability of coal is not the only factor in the equation. Two years ago, Escom, the electricity utility, revised its estimates of annual electricity demand growth for the rest of this century from an annual 7 per cent to 5 per cent.

The effect is that demand is now expected to double by the year 2000 rather than increase by 2.6 times. The lower demand growth pattern persuaded Escom to delay construction of its five new-generation 3,600 megawatt thermal stations. Last year the delays were reversed as a precaution against sanctions or unavailability of generating equipment and further finance from abroad.

The introduction of the new generation of power stations will leave the Escom with more excess capacity than it would like for some years, and this will be managed by closing older thermal stations and using Koeberg as a seasonal peak load provider.

The oil majors are compensated by a so-called synthetic levy on each litre of petrol sold throughout the country and they will distribute the diesel and kerosene tax to the private sector.

Koeberg's two reactors have a combined generating capacity of 1,840 megawatts, equivalent to just over 6 per cent of the total installed capacity of Escom's state-owned electricity utility. Hydro and pump storage stations provide less than 3 per cent of the country's electricity, with the balance of about 90 per cent generated in coal-burning thermal power stations fed by dedicated private sector collieries.

Last year Escom's thermal stations burned 58.92m tonnes of coal or 32.3 per cent of the country's total coal production. Sasol converts about 32m tonnes of coal into liquid fuels each year and, last year, exports accounted for 45.5m tonnes.

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